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A publication of the
American Council of Life Insurance,
serving the public as a central source
of information
about life insurance.

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FOREWORD

The Life Insurance Fact Book, now in its 34th year of publication, is presented annually as part of the life insurance business's continuing commitment to public accountability. As the principal source of statistics about the life insurance business, this text summarizes the year's developments with text, tables and charts, together with historical information.

The Fact Book reports on the United States business of all legal reserve life insurance companies operating in this country, and the total domestic and foreign business of U.S. life companies. Information on life insurance issued by fraternal benefit societies operating in the U.S. and Canada is included in various parts of the text and in statistical material on pages 100 and 101.

Some insurance companies, through parent corporations or by ownership of subsidiaries, engage in other financial services, such as mutual funds. While the Fact Book includes descriptive information on these services, the statistics reflect only insurance operations.

The Fact Book data are derived from annual statements provided by life insurance companies, and through surveys conducted by the Council. Assistance is also given by commercial publishers of life insurance statistics, government agencies and other life insurance organizations.

The constructive comments of many people over the years have helped the Fact Book to become established as a useful and reliable source of information about the life insurance business. Additional information about life insurance and related topics is available, although impractical to publish, and therefore inquiry is invited.

ROBERT N. CHIAPPETTA, A.S.A.
Director
Statistical Services

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KEY LIFE INSURANCE STATISTICS

	1968	1977	1978	% Change 1977-76	% Change 1978-77
LIFE INSURANCE IN FORCE IN THE UNITED STATES (000,000 Omitted)					
Ordinary	$ 633,392	$1,289,321	$1,425,095	9.5	10.5
Group	442,778	1,115,047	1,243,994	11.2	11.6
Industrial	38,827	39,045	38,080	- .3	- 2.5
Credit	68,357	139,402	163,081	12.8	17.0
Total	$1,183,354	$2,582,815	$2,870,250	10.2	11.1
AVERAGE AMOUNTS OF LIFE INSURANCE IN FORCE IN THE UNITED STATES					
Per Family	$ 18,300	$ 32,400	$ 35,100	7.6	8.3
Per Insured Family	$ 21,500	$ 37,700	$ 40,800	7.7	8.2
LIFE INSURANCE PURCHASES IN THE UNITED STATES* (000,000 Omitted)					
Ordinary	$ 103,944	$ 247,453	$ 279,044	15.7	12.8
Group	39,877**	115,839	121,729	10.7	5.1
Industrial	6,674	6,504	6,269	1.9	- 3.6
Total	$ 150,495**	$ 369,796	$ 407,042	13.8	10.1
BENEFIT PAYMENTS IN THE UNITED STATES (000,000 Omitted)					
Payments to Beneficiaries	$ 6,209	$ 10,196	$ 11,108	6.3	8.9
Payments to Policyholders and Annuitants	8,176	16,266	17,506	8.3	7.6
Total	$ 14,385	$ 26,462	$ 28,614	7.5	8.1
PREMIUM RECEIPTS OF U.S. LIFE COMPANIES (000,000 Omitted)					
Life Insurance	$ 19,364	$ 33,765	$ 36,592	7.7	8.4
Annuity Considerations	2,993	14,974	16,339	7.2	9.1
Health Insurance	8,730	23,580	25,829	12.0	9.5
Total	$ 31,087	$ 72,319	$ 78,760	8.9	8.9
ASSETS OF U.S. LIFE COMPANIES (000,000 Omitted)					
Government Securities	$ 11,096	$ 23,555	$ 26,552	16.3	12.7
Corporate Bonds	68,310	137,889	156,044	14.3	13.2
Stocks	13,230	33,763	35,518	-1.5	5.2
Mortgages	69,973	96,848	105,790	5.8	9.2
Policy Loans	11,306	27,556	30,146	6.7	9.4
Other Assets	14,721	32,111	35,874	10.8	11.7
Total	$ 188,636	$ 351,722	$ 389,924	9.4	10.9
NET RATE OF INVESTMENT INCOME OF U.S. LIFE INSURANCE COMPANIES					
(Before Federal Income Taxes)					
Including Separate Accounts	4.95%	6.89%	7.31%	—	—
Excluding Separate Accounts	4.97%	7.00%	7.39%	—	—

Note: Some data are revised from previous editions.

*Data for 1968 exclude all credit life insurance. Data for 1977 and 1978 include credit life insurance on loans of more than ten years' duration.

**Data include $3.4 billion of Federal Employees' Group Life Insurance.

Sources: American Council of Life Insurance and Life Insurance Marketing and Research Association.

LIFE INSURANCE IN 1978

As the U.S. economy moved into its fourth year of expansion, producing one of the longest peacetime upswings of the past generation, the life insurance business continued to expand in many areas.

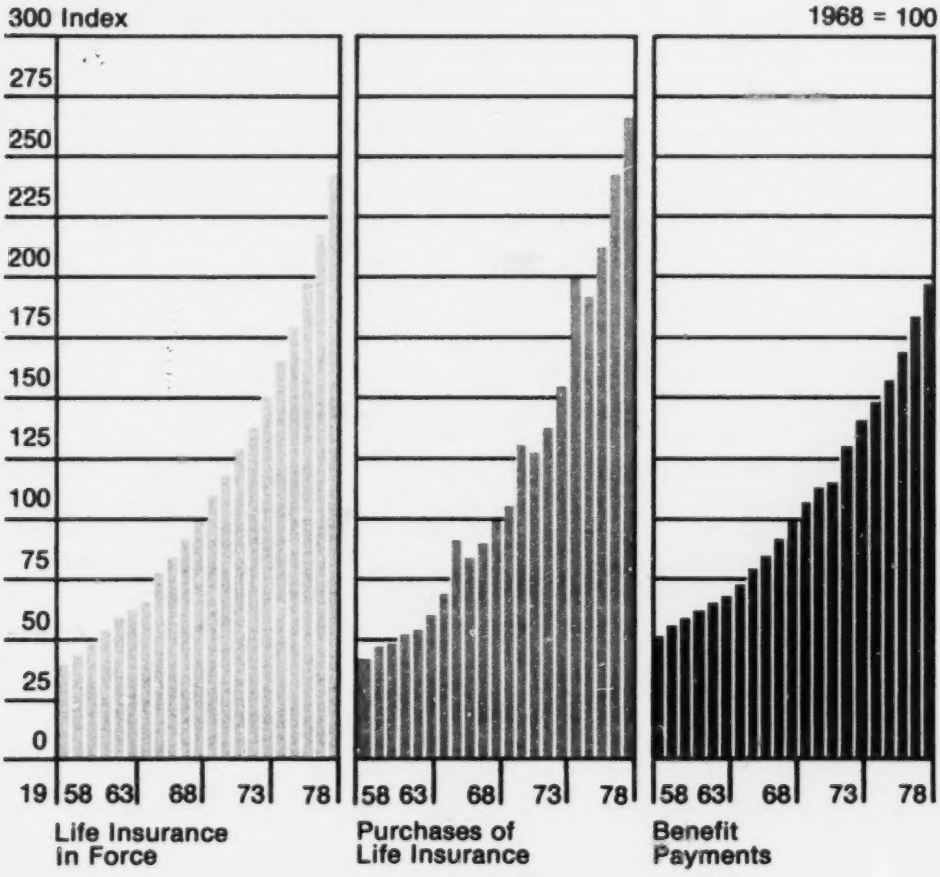
Both the total life insurance in force and assets of the business grew at a greater rate than in 1977. The net earning rate reached an all-time high.

Purchases of new life insurance topped $407 billion—a 10.1% increase in a year but below the 13.8% increase registered in 1977. Life insurance in force reached $2,870 billion, bringing the average amount of insurance per family to $35,100, $2,700 more than in 1977.

Life insurance issued by U.S. legal reserve life insurance companies was owned by 86% of American families; the average amount of life insurance owned by insured families was $40,800.

Two-thirds of the individuals in this nation owned some form of life insurance—most through legal reserve life insurance companies.

Relative Growth in Life Insurance In Force, Purchases of Life Insurance, and Benefit Payments in the United States 1958-1978



The volume of purchases of ordinary life insurance reached $279 billion by year-end, a 12.8% increase over 1977. Although the volume of group insurance has been steadily increasing, ordinary life insurance still accounts for one-half of all life insurance in force.

Term insurance grew as a proportion of purchases, reflecting a continuing shift from permanent policies. Term insurance accounted for 52% of ordinary purchases in 1978. In 1974, term was 46% of ordinary purchases.

While total premium receipts for all legal reserve life insurance companies increased 8.9%, to $78.8 billion, the largest gain was in health insurance premiums—up 9.5%.

Benefit payments—excluding health insurance—reached a record $28.6 billion, up 8.1%. Payments to beneficiaries in 1978 totaled $11.1 billion. The remaining $17.5 billion was paid to policyholders and annuitants.

Assets of U.S. life insurance companies totaled more than $389.9 billion at year-end 1978. This was an increase of $38 billion, or 10.9%, from 1977 year-end.

Investments in longer-term assets, chiefly government and corporate securities and mortgages, were in large measure responsible for the substantial increase in the net rate of investment income, which rose from 7.00% to 7.39% (excluding separate accounts) before Federal taxes. Mortgages held by life insurance companies rose $8.9 billion—a 9.2% increase, compared to a 5.8% increase in 1977.

Policy loans in 1978 increased at a greater rate than in 1977, totaling $30.1 billion, but they accounted for a smaller proportion of total assets at year-end 1978.

Other highlights of the life insurance business in 1978 include:

- Dollar volume of payments to beneficiaries rose 8.9% from 1977. The average size of death benefit payments was 5.6% larger.
- Life insurance premiums continued to account for a decreasing percentage of premium income as the volume of annuity considerations and health insurance premiums increased. In 1978, 46% of premium income came from life insurance; 10 years earlier life insurance accounted for 62%.
- Policy reserves totaled $318.5 billion in 1978, 56% of which were life insurance reserves.
- Separate account investments totaled $20.4 billion at the end of 1978, an 18% increase during the year. Although these accounts continue to consist primarily of stocks, bond holdings increased 45% during 1978.
- More than 21.6 million persons are now covered by private pension plans with life insurance companies. The total reserves of such plans were $119 billion in 1978, an increase of $17.6 billion, or 17.3%, over year-end 1977. Payments to annuitants and survivors amounted to $4.1 billion.

LIFE INSURANCE PURCHASES

Americans purchased $407.0 billion of new life insurance in 1978, an increase of 10.1% over 1977.

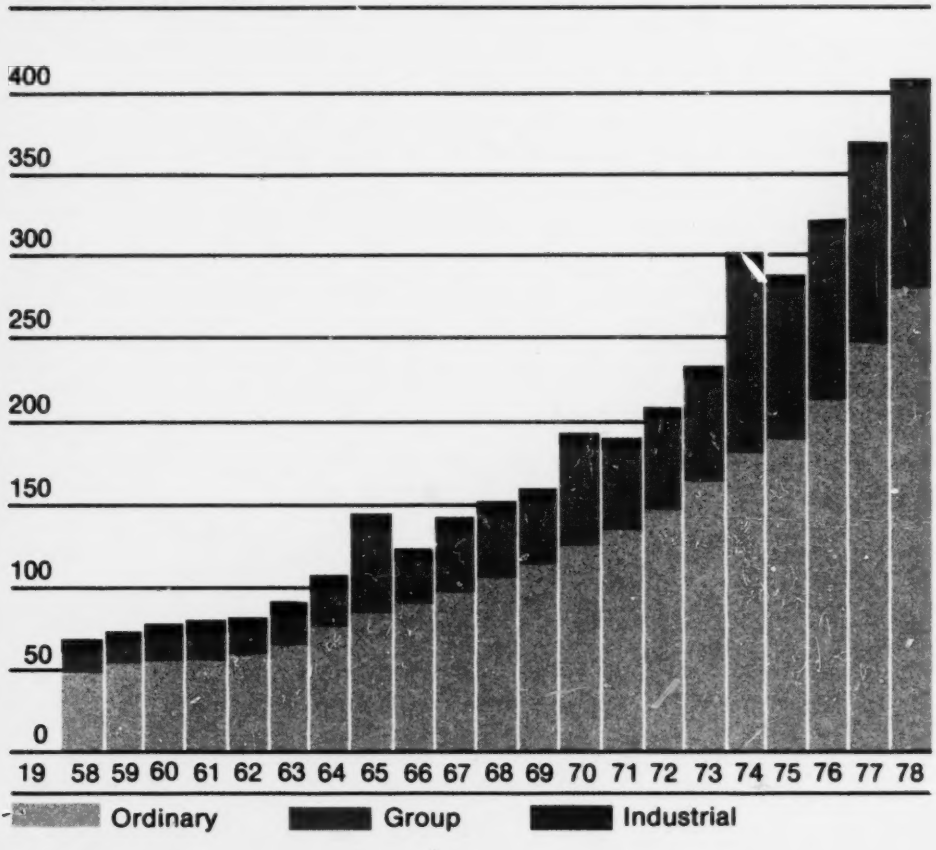
People buy life insurance for many reasons, but mainly to provide financial protection for their families if they themselves should die prematurely. A person creates an estate, or adds to one, with a life insurance policy, and the future of that estate is protected as the policy is maintained over the years.

Two-thirds of new life insurance protection purchased in the United States in 1978 was bought on an individual basis — that is, by personal or family decision — usually through a life insurance agent. Purchases of ordinary life insurance increased in 1978, totaling $279.0 billion, a rise of 12.8% during the year. This follows an increase of 15.7% during 1977.

Purchases of industrial life insurance, the other type of individual coverage, came to $6.3 billion during 1978, a decrease of $235 million from 1977.

Group purchases totaled $121.7 billion, $5.9 billion above the 1977 total. Over two-fifths of group life purchased in 1978 was under new master contracts issued chiefly to employers. The remaining three-fifths was under existing contracts broadened to include additional categories of employees or

Life Insurance Purchases in the United States



Purchases of Ordinary Life Insurance in the United States by State *(000,000 Omitted)*

(Exclusive of Revivals, Increases, Dividend Additions and Reinsurance Acquired)

State	1972	1973	1974	1975	1976	1977	1978
Alabama	$ 2,461	$ 2,728	$ 3,008	$ 3,259	$ 3,946	$ 4,544	$ 5,053
Alaska	236	258	309	378	450	473	566
Arizona	1,674	1,912	2,106	2,151	2,319	2,772	3,304
Arkansas	1,067	1,175	1,325	1,337	1,629	1,993	2,194
California	15,099	16,521	19,149	19,714	22,517	26,905	30,559
Colorado	2,194	2,531	2,815	3,099	3,470	3,976	4,602
Connecticut	2,309	2,453	2,839	2,846	3,263	3,589	4,055
Delaware	388	447	508	517	570	642	725
D.C.	544	581	649	753	723	795	802
Florida	5,920	7,071	8,391	8,050	9,120	10,582	12,245
Georgia	4,161	4,616	5,158	5,239	6,141	7,039	7,802
Hawaii	817	932	1,040	1,106	1,190	1,280	1,434
Idaho	504	570	698	747	890	1,067	1,266
Illinois	8,492	9,356	10,536	11,052	12,389	14,145	15,594
Indiana	3,788	4,252	4,780	4,693	5,333	6,218	6,799
Iowa	1,934	2,185	2,576	2,774	3,132	3,750	4,201
Kansas	1,771	1,973	2,183	2,371	2,717	3,212	3,545
Kentucky	1,790	1,962	2,302	2,453	2,864	3,300	3,719
Louisiana	2,562	2,815	3,120	3,398	4,046	5,020	5,826
Maine	569	657	726	718	820	923	1,004
Maryland	2,805	3,225	3,625	3,823	4,298	4,773	5,394
Massachusetts	3,838	4,231	4,567	4,528	4,953	5,473	5,883
Michigan	5,310	5,827	6,282	6,276	7,126	8,318	9,179
Minnesota	2,470	2,743	3,174	3,237	3,697	4,362	5,034
Mississippi	1,273	1,376	1,491	1,512	1,755	2,217	2,627
Missouri	3,206	3,507	3,924	4,067	4,620	5,311	5,959
Montana	480	578	622	650	724	899	1,046
Nebraska	1,204	1,367	1,559	1,584	1,817	2,191	2,492
Nevada	371	417	476	481	586	774	851
New Hampshire	577	651	691	698	842	1,017	1,159
New Jersey	5,826	6,274	7,001	7,183	7,771	8,605	9,365
New Mexico	690	776	872	919	1,038	1,281	1,488
New York	11,838	13,116	14,287	14,323	15,449	16,827	17,845
North Carolina	3,265	3,881	4,603	4,795	5,464	6,280	7,089
North Dakota	389	459	535	600	719	805	917
Ohio	7,632	8,518	9,348	9,455	10,531	11,826	13,193
Oklahoma	1,952	2,114	2,389	2,506	2,791	3,535	4,091
Oregon	1,299	1,475	1,673	1,696	1,981	2,503	2,923
Pennsylvania	7,380	8,319	9,220	9,283	10,302	11,669	12,925
Rhode Island	679	724	811	800	970	1,014	1,071
South Carolina	1,845	2,030	2,347	2,427	2,840	3,249	3,848
South Dakota	442	526	636	625	753	852	992
Tennessee	2,722	3,108	3,534	3,736	4,436	5,140	5,709
Texas	9,195	10,496	11,711	12,403	14,823	17,135	20,350
Utah	877	1,014	1,152	1,234	1,479	1,871	2,149
Vermont	318	358	371	356	414	458	521
Virginia	3,333	3,791	4,221	4,275	4,984	6,199	7,435
Washington	2,218	2,431	2,725	2,923	3,376	4,074	4,750
West Virginia	814	926	1,055	1,143	1,325	1,536	1,725
Wisconsin	2,720	2,988	3,326	3,456	3,955	4,524	5,123
Wyoming	231	265	309	354	436	510	616
Total U.S.	$145,479	$162,506	$182,755	$188,003	$213,784	$247,453	$279,044

Note: The series includes mass-marketed ordinary insurance. Beginning with 1974, data include long-term individual credit insurance. Data for 1977 are revised and data for 1978 are preliminary.

Sources: Life Insurance Marketing and Research Association and American Council of Life Insurance.

Life Insurance Purchases in the United States

(Exclusive of Revivals, Increases, Dividend Additions and Reinsurance Acquired)

	Ordinary		Group		Industrial		Total	
Year	Policies (000 Omitted)	Amount (000,000 Omitted)	Certificates (000 Omitted)	Amount (000,000 Omitted)	Policies (000 Omitted)	Amount (000,000 Omitted)	Number (000 Omitted)	Amount (000,000 Omitted)
1940	3,855	$ 6,689	285	$ 691	14,017	$3,350	18,157	$ 10,730
1945	4,343	9,859	681	1,265	11,869	3,430	16,893	14,554
1950	5,279	17,326	2,631	6,068	14,924	5,402	22,834	28,796
1955	7,572	30,827	2,217	11,258*	14,356	6,342	24,145	48,427*
1960	8,734	52,883	3,734	14,645	12,287	6,880	24,755	74,408
1961	8,735	55,016	3,971	17,019	12,327	7,000	25,033	79,035
1962	8,662	56,998	3,498	15,533	11,799	7,046	23,959	79,577
1963	9,046	64,267	3,534	18,152	11,407	7,154	23,987	89,573
1964	9,605	74,012	4,225	23,684	11,059	7,312	24,889	105,008
1965	9,937	83,485	7,007	51,385†	10,492	7,296	27,436	142,166†
1966	10,131	88,693	4,055	26,219	9,764	7,078	23,950	121,990
1967	10,192	94,694	4,353	39,118*	9,404	7,056	23,949	140,868*
1968	10,461	103,944	4,875	39,877*	8,417	6,674	23,753	150,495*
1969	10,588	113,500	5,156	39,329	7,916	6,454	23,660	159,283
1970	10,968	122,820	5,219	63,690†	7,582	6,612	23,769	193,122†
1971	11,281	132,130	5,403	49,407	8,326	7,274	25,010	188,811
1972	11,844	145,479	6,698	55,857	8,123	7,394	26,665	208,730
1973	12,198	162,506	7,065	64,461	7,506	7,224	26,769	234,191
1974	12,763	182,755	7,994	111,622†	6,747	6,680	27,504	301,057†
1975	12,549	188,003	8,146	95,190†	6,397	6,729	27,092	289,922†
1976	13,219	213,784	9,145	104,683	5,962	6,382	28,326	324,849
1977	13,679	247,453	9,599	115,839	5,859	6,504	29,137	369,796
1978	13,765	279,044	9,753	121,729	5,648	6,269	29,166	407,042

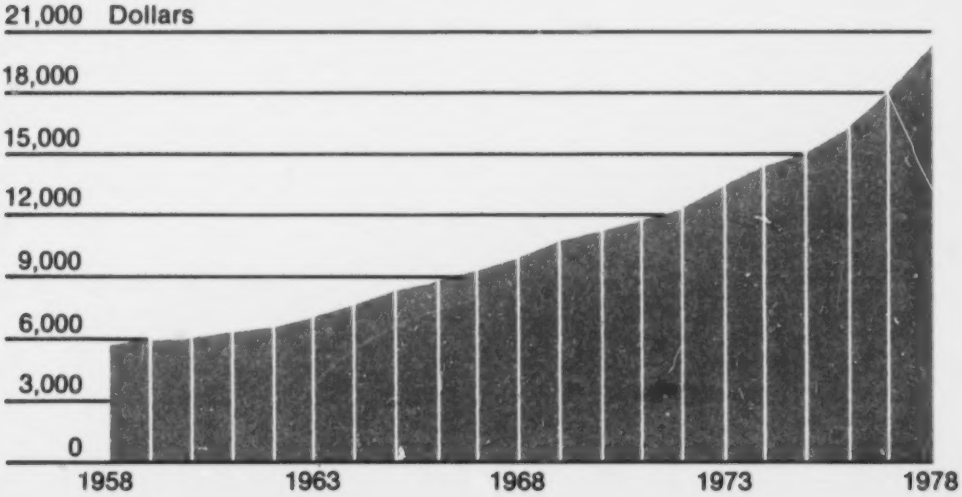
Note: Figures from 1940-1973 exclude all credit life insurance. Beginning with 1974, data include long-term credit insurance (life insurance on loans of more than ten years' duration). Data for 1977 are revised and data for 1978 are preliminary.

*Includes Federal Employees' Group Life Insurance of $1.9 billion in 1955, $8.3 billion in 1967 and $3.4 billion in 1968.

†Includes Servicemen's Group Life Insurance of $27.8 billion in 1965, $17.1 billion in 1970, $29.2 billion in 1974 and $1.7 billion in 1975.

Sources: Life Insurance Marketing and Research Association and American Council of Life Insurance.

Average Size Ordinary Life Insurance Policy Purchased in the United States



Analysis of Ordinary Life Insurance Purchases in the United States

	% of Policies		% of Amount	
	1968	1978	1968	1978
SEX OF INSURED				
Male Insureds Under 15	9	8	3	3
Female Insureds Under 15	8	7	2	2
Male Adults	61	56	85	76
Female Adults	22	29	10	19
Total	100	100	100	100
AGE OF INSURED				
Under 15	17	15	4	5
15-24	32	27	27	19
25-34	25	32	36	41
35-44	15	15	22	23
45 or Over	11	11	11	12
Total	100	100	100	100
INCOME OF INSURED*				
Under $3,000	3	†	1	†
$3,000-$4,999	21	1	9	†
$5,000-$7,499	38	10	29	4
$7,500-$9,999	17	15	18	8
$10,000-$24,999	17	59	30	55
$25,000 or Over	4	15	13	33
Total	100	100	100	100
SIZE OF POLICY				
Under $2,000	17	4	1	†
$2,000-$4,999	17	10	4	1
$5,000-$9,999	21	16	11	4
$10,000-$24,999	33	37	39	21
$25,000 or Over	12	33	45	74
Total	100	100	100	100
TYPE OF POLICY				
Straight Life	29	36	26	27
Limited Payment Life	20	15	8	6
Endowment	7	4	3	2
Retirement Income	3	2	2	1
Modified Life	4	5	4	4
Level or Decreasing Term	9	19	21	38
Family Plan	4	2	3	2
with Additional Term	3	†	6	1
Regular Policy with F/P Rider	4	5	4	5
and Additional Term	2	1	5	2
Combination	13	10	17	12
Progressive and Other	2	1	1	†
Total	100	100	100	100
MODE OF PREMIUM PAYMENT				
Annual	20	19	27	26
Semiannual	6	6	6	7
Quarterly	13	12	13	11
Monthly Debit‡	26	18	11	5
Bank Plan**	12	27	17	32
Other Monthly	19	13	22	14
Salary Savings	4	5	4	5
Total	100	100	100	100

Note: Figures exclude credit life insurance.

N.A. = Not applicable.

*Ages 0-14 and persons without gainful income excluded.

†Less than .5%.

**Most common frequency is monthly.

‡Includes a small amount of weekly premium ordinary.

Source: Life Insurance Marketing and Research Association.

to increase overall levels of coverage. Increases resulting from higher salaries or enlarged employee groups are not considered new purchases. Purchases in 1978 included $3.0 billion of new group coverage for employees' dependents.

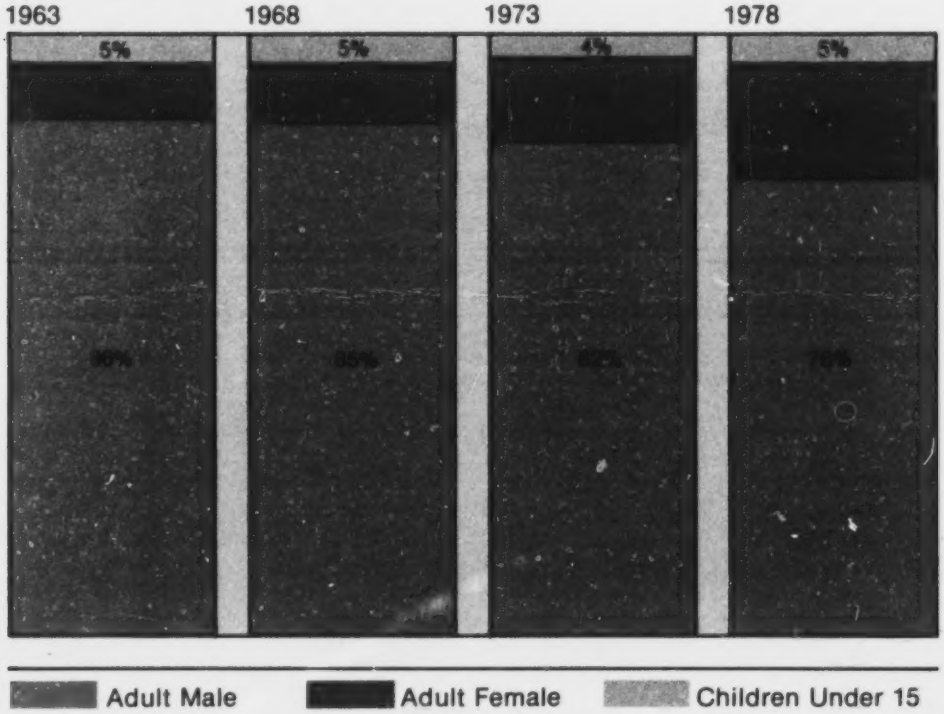
Of the 29.2 million new life insurance policies and certificates purchased during the year, 13.8 million were ordinary policies, 5.6 million were industrial policies and 9.8 million were group certificates.

The average size of the ordinary policies being bought continues to increase. In 1968, for example, the average new ordinary policy was $9,940; by 1973, the amount had increased to $13,320; in 1977, to $18,090; and in 1978, to $20 270.

A sample survey of ordinary life insurance purchased by Americans in 1978 showed that three-fifths of all new policies were for people between the ages of 15 and 34. An analysis of the volume of ordinary life insurance purchased over the ten-year period of 1968 to 1978 showed a continuing shift towards term insurance. The rising proportion of term insurance has been more evident in the 1970s. Term amounted to 43% of the volume purchased in 1968 and 1973, and 52% in 1978. However, permanent (cash value) insurance continues to be the type of ordinary most commonly purchased, either alone or in combination with some term insurance. When measured by numbers of policies purchased, permanent insurance was included in 81% of all policies sold.

Distribution of Amount of Ordinary Life Policies Purchased by Sex of Insured

In the United States



More women are buying life insurance, and the 1978 sample survey reflects the increased proportion of policies and amounts purchased on adult female lives. The ratio of men to women buyers, when measured by policies purchased, was 61 to 22 in 1968 compared with 56 to 29 in 1978. Measured by amounts, the ratios of men to women were 85 to 10 in 1968 and 76 to 19 in 1978.

The average size policy purchased on women's lives has been increasing at a faster rate than that of men. According to the survey results, the average size ordinary policy for women increased by 287% between 1968 and 1978, and increased by 204% for men.

Life Insurance Purchases in U.S. Life Insurance Companies *(000,000 Omitted)*

(Exclusive Of Revivals, Increases and Dividend Additions)

Year	Ordinary	Group	Industrial	Total
1921	$ 6,248	$ 128	$1,581	$ 7,957
1925	10,060	1,075	3,143	14,278
1930	11,905	1,381	3,979	17,265
1935	7,550	715	4,033	12,298
1940	7,022	747	3,318	11,087
1945	10,577	1,302	3,512	15,391
1950	18,260	6,237	5,492	29,989
1955	32,207	11,637*	6,399	50,243*
1960	56,183	15,328	6,906	78,417
1961	58,888	19,181	7,248	85,317
1962	61,259	16,260	7,105	84,624
1963	68,862	19,854	7,166	95,882
1964	79,430	25,149	7,320	111,899
1965	89,643	52,867†	7,302	149,812†
1966	95,987	27,589	7,083	130,659
1967	103,823	43,195*	7,052	154,070*
1968	112,820	42,596*	6,675	162,091*
1969	124,124	42,192	6,495	172,811
1970	134,802	65,381†	6,612	206,795†
1971	145,496	55,432	7,651	208,579
1972	159,063	61,920	7,394	228,377
1973	175,629	67,703	7,224	250,556
1974	198,981	117,790†	6,680	323,451†
1975	207,052	102,659†	6,741	316,452†
1976	233,583	112,232	6,382	352,197
1977	277,310	123,844	6,504	407,658
1978	314,748	128,917	6,269	449,934

Note: Data for 1976 and 1977 are revised. Totals represent all life insurance issued by U.S. life companies (including both direct business and reinsurance acquired, and without deducting reinsurance ceded) whether the policyholders are residents of the United States or some other country. Figures from 1921-1973 exclude all credit life insurance. Beginning with 1974, data include long-term credit insurance (life insurance on loans of more than ten years' duration).

*Includes Federal Employees' Group Life Insurance of $1.9 billion in 1955, $8.2 billion in 1967 and $3.4 billion in 1968.

†Includes Servicemen's Group Life Insurance of $27.4 billion in 1965, $16.8 billion in 1970, $28.8 billion in 1974 and $1.7 billion in 1975.

Sources: Spectator Year Book, *American Council of Life Insurance and Life Insurance Marketing and Research Association.*

LIFE INSURANCE OWNERSHIP

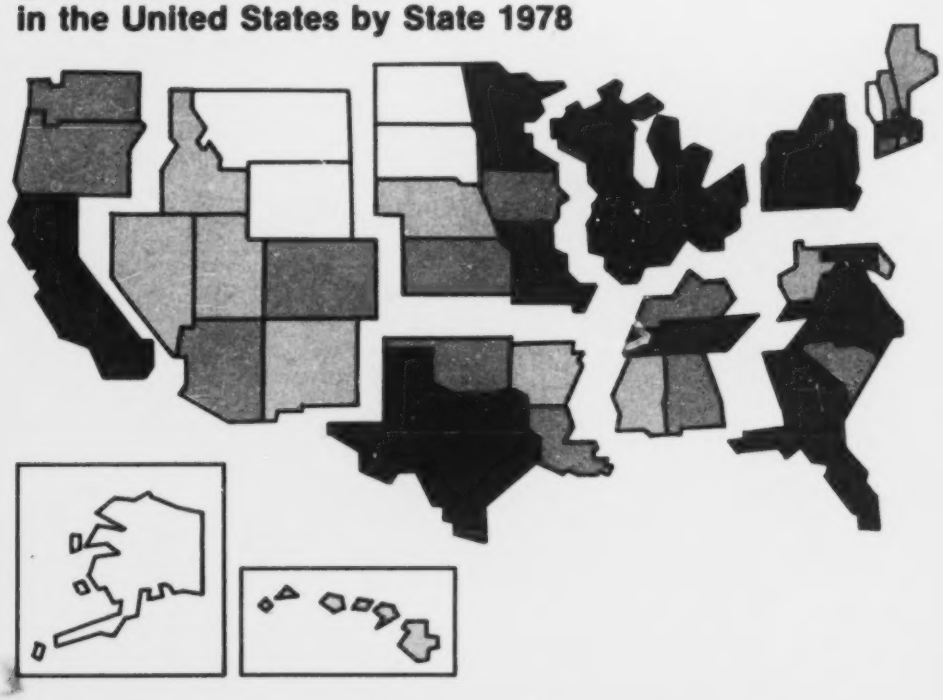
Life insurance in force in the United States reached a new high of $2,870 billion at the end of 1978, an increase of over $287 billion or 11.1% over year-end 1977.

If this total of life insurance were divided equally among all American families, each would have had $35,100 of protection at year-end. Excluding families without life insurance, the average for insured families was about $40,800. Despite significant increases in the amounts of coverage, protection for all families was equal to only 24 months of total disposable personal income per family at the end of 1978.

Some 142 million policyholders, or 2 out of 3 people in the country, were insured by legal reserve life insurance companies at the end of 1978. This figure, which is based on a sample survey conducted in late 1976, is somewhat lower than earlier estimates, which were based on interim data.

The East North Central section of the country had the largest amount of coverage. Over $589.9 billion of life insurance was in force there at year-end 1978, followed by the Middle Atlantic with $503.3 billion. By state, California

Life Insurance In Force in the United States by State 1978



☐ Less than $10 Billion ☐ $10 Billion to $25 Billion ▩ $25 Billion to $50 Billion

■ $50 Billion to $100 Billion ■ $100 Billion or over

Life Insurance In Force in the United States

(000,000 Omitted)

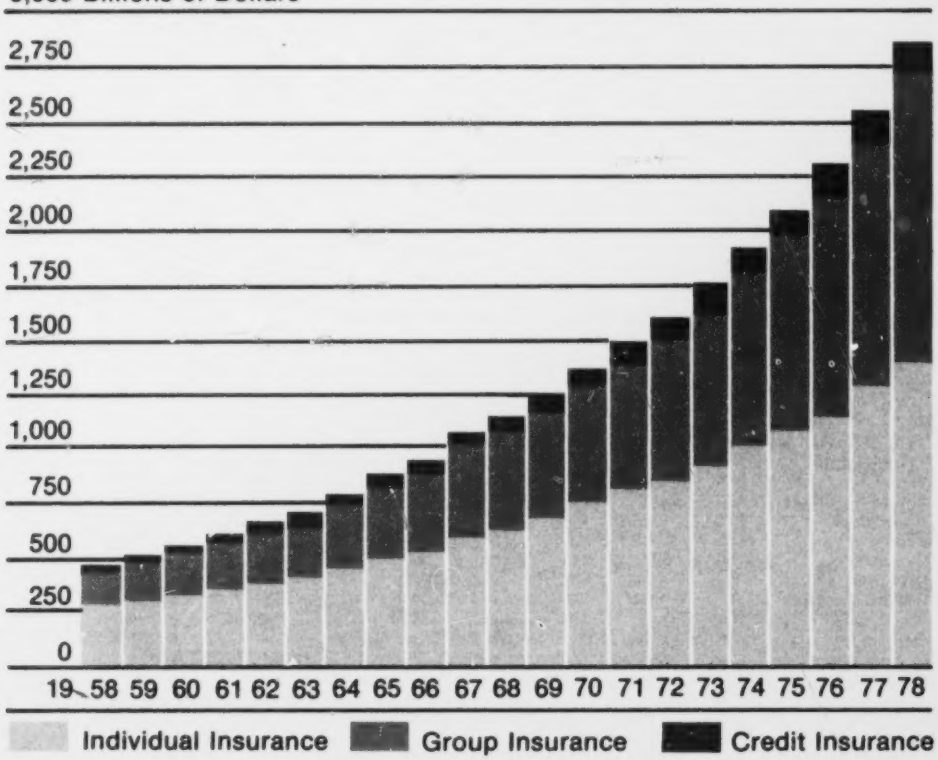
Year	Ordinary No.	Ordinary Amt.	Group Cert.	Group Amt.	Industrial No.	Industrial Amt.	Credit No.†	Credit Amt.	Total No.	Total Amt.
1900	3	$ 6,124	—	—	11	$ 1,449	—	—	14	$ 7,573
1905	5	9,585	—	—	17	2,278	—	—	22	11,863
1910	6	11,783	—	—	23	3,125	—	—	29	14,908
1915	9	16,650	*	$ 100	32	4,279	—	—	41	21,029
1920	16	32,018	2	1,570	48	6,948	*	$ 4	66	40,540
1925	23	52,892	3	4,247	71	12,318	*	18	97	69,475
1930	32	78,576	6	9,801	86	17,963	*	73	124	106,413
1931	33	79,514	6	9,736	85	17,635	*	85	124	106,970
1932	32	75,898	5	8,923	79	16,669	*	69	116	101,559
1933	31	70,872	5	8,681	78	16,630	*	63	114	96,246
1934	32	70,094	6	9,472	79	17,036	*	75	117	96,677
1935	33	70,684	6	10,208	81	17,471	1	101	121	98,464
1936	33	72,361	7	11,291	83	18,863	1	138	124	102,653
1937	34	74,836	7	12,638	85	20,104	1	216	127	107,794
1938	35	75,772	7	12,503	85	20,396	2	256	129	108,927
1939	36	77,121	8	13,641	85	20,500	2	307	131	111,569
1940	37	79,346	9	14,938	85	20,866	3	380	134	115,530
1941	39	82,525	10	17,359	87	21,825	3	469	139	122,178
1942	41	85,139	11	19,316	90	22,911	2	355	144	127,721
1943	43	89,596	13	22,413	94	24,874	2	275	152	137,158
1944	46	95,085	13	23,922	98	26,474	2	290	159	145,771
1945	48	101,550	12	22,172	101	27,675	2	365	163	151,762
1946	53	112,818	13	27,206	104	29,313	3	729	173	170,066
1947	56	122,393	16	32,026	106	30,406	5	1,210	183	186,035
1948	58	131,158	16	37,068	106	31,253	6	1,729	186	201,208
1949	61	138,862	17	40,207	107	32,087	8	2,516	193	213,672
1950	64	149,116	19	47,793	108	33,415	11	3,844	202	234,168
1951	67	159,109	21	54,398	109	34,870	12	4,763	209	253,140
1952	70	170,875	24	62,913	111	36,448	14	6,355	219	276,591
1953	73	185,007	26	72,913	112	37,781	18	8,558	229	304,259
1954	76	198,599	29	86,410	111	38,664	21	10,046	237	333,719
1955	80	216,812	32	101,345	112	39,682	28	14,493	252	372,332
1956	83	238,348	35	117,399	110	40,109	32	16,774	260	412,630
1957	87	264,949	37	133,905	108	40,139	34	19,366	266	458,359
1958	89	288,607	39	144,772	104	39,646	35	20,536	267	493,561
1959	93	317,158	41	160,163	102	39,809	38	24,998	274	542,128
1960	95	341,881	44	175,903	100	39,563	43	29,101	282	586,448
1961	97	366,141	46	192,794	98	39,451	45	31,107	286	629,493
1962	99	391,048	49	209,950	95	39,638	47	35,341	290	675,977
1963	102	420,808	51	229,477	93	39,672	52	40,666	298	730,623
1964	104	457,868	55	253,620	92	39,833	58	46,487	309	797,808
1965	107	499,638	61	308,078	89	39,818	63	53,020	320	900,554
1966	109	541,022	65	345,945	88	39,663	69	58,059	331	984,689
1967	113	584,570	69	394,501	84	39,215	70	61,535	336	1,079,821
1968	116	633,392	73	442,778	81	38,827	75	68,357	345	1,183,354
1969	118	682,453	76	488,864	79	38,614	78	74,598	351	1,284,529
1970	120	734,730	80	551,357	77	38,644	78	77,392	355	1,402,123
1971	123	792,318	82	589,883	76	39,202	76	81,931	357	1,503,334
1972	126	853,911	85	640,689	76	39,975	78	93,410	365	1,627,985
1973	128	928,192	88	708,322	75	40,632	78	101,154	369	1,778,300
1974	131	1,009,038	94	827,018	71	39,441	84	109,623	380	1,985,120
1975	134	1,083,421	96	904,695	70	39,423	80	112,032	380	2,139,571
1976	137	1,177,672	100	1,002,647	67	39,175	78	123,569	382	2,343,063
1977	139	1,289,321	106	1,115,047	66	39,045	79	139,402	390	2,582,815
1978	142	$1,425,095	111	$1,243,994	64	$38,080	84	$163,081	401	$2,870,250

Note: "Credit" is limited to life insurance on loans of ten years' or less duration. "Ordinary" and "Group" include credit life insurance on loans of more than ten years' duration. Totals for "In the United States" represent all life insurance (net of reinsurance) on residents of the United States, whether issued by U.S. or foreign companies. Beginning with 1959, the data include Alaska and Hawaii.

*Fewer than 500,000. †Includes group credit certificates.

Sources: Spectator Year Book *and American Council of Life Insurance.*

Growth of Individual, Group and Credit Life Insurance In Force in the United States



had the largest total, $280.1 billion and New York ranked second with $235.7 billion. Hawaii exceeded all other states in ownership per family with an average of $51,500 of insurance per family; the District of Columbia was in second place with $51,300 per family.

The principal type of life insurance protection for Americans continues to be ordinary life insurance, purchased individually to meet individual needs. Ordinary insurance in force at the end of 1978 totaled $1,425 billion, 50% of all life insurance in force in the United States. The number of ordinary policies in force has doubled in the past 25 years, while the average size policy in force is nearly four times as large.

Group life insurance provided $1,244 billion of protection at the end of 1978, an increase of $129 billion during the year. Most group life insurance contracts are issued to employers, though many are issued to unions, professional associations and other groups. Employees or members receive certificates to denote their participation in the group coverage. Growth of this type of protection has been significant. In 1950, group insurance accounted for 20% of all insurance in force and by 1978, the ratio had reached 43%.

Industrial life insurance is the type which is issued in small amounts, usually with premiums collected weekly or monthly at the policyholder's home. Industrial life decreased slightly to a total of $38.1 billion in force at year-end 1978.

Life Insurance In Force in the United States by State 1978

(Thousands of Policies and Millions of Dollars)

	Ordinary		Group		Industrial		Credit		Total	
State	No.	Amount	Cert.	Amount	No.	Amount	No.*	Amount	No.	Amount
Alabama	1,938	$ 22,455	1,640	$ 16,862	6,952	$ 2,783	1,845	$ 3,897	12,375	$ 45,997
Alaska	129	2,444	346	2,943	10	3	157	220	642	5,610
Arizona	1,676	17,704	1,337	10,395	171	112	1,187	1,903	4,371	30,114
Arkansas	957	10,196	574	7,442	485	264	719	1,706	2,835	19,608
California	10,612	139,562	12,069	127,045	1,938	1,366	6,032	12,100	30,651	280,073
Colorado	1,751	21,624	1,606	15,667	309	292	1,132	2,439	4,798	40,022
Connecticut	2,367	23,794	1,972	23,860	279	203	1,218	1,860	5,836	49,717
Delaware	465	4,224	377	5,623	232	155	1,338	772	2,412	10,774
D.C.	437	4,259	927	11,065	493	285	574	703	2,431	16,312
Florida	5,168	55,292	3,784	35,842	3,876	2,621	3,639	6,507	16,467	100,262
Georgia	3,464	35,416	2,531	27,678	4,228	2,767	2,552	4,771	12,775	70,632
Hawaii	583	8,482	740	6,526	5	2	381	849	1,709	15,859
Idaho	515	5,504	476	3,751	25	12	302	785	1,318	10,052
Illinois	9,271	86,433	6,651	74,781	3,069	1,919	4,088	7,864	23,079	170,997
Indiana	4,049	36,510	2,721	30,183	1,606	977	1,973	4,619	10,349	72,289
Iowa	2,542	23,222	1,322	13,966	233	124	816	2,270	4,913	39,582
Kansas	1,861	18,746	1,091	10,007	317	171	903	1,972	4,172	30,896
Kentucky	2,207	18,588	1,322	15,612	1,502	830	1,441	2,789	6,472	37,819
Louisiana	2,005	24,344	1,673	18,190	4,096	2,311	2,008	3,756	9,782	48,601
Maine	712	6,051	636	4,550	79	52	449	796	1,876	11,449
Maryland	2,852	28,322	1,900	24,086	1,751	1,011	1,850	2,984	8,353	56,403
Massachusetts	3,915	35,214	2,571	33,448	765	482	2,032	2,611	9,283	71,755
Michigan	5,557	51,528	5,813	77,264	1,903	1,170	3,434	7,375	16,707	137,337
Minnesota	2,471	26,172	2,292	26,187	242	133	1,281	2,515	6,286	55,007
Mississippi	907	11,168	866	8,325	805	483	1,429	2,261	4,007	22,237
Missouri	3,723	31,288	2,423	27,950	1,213	710	1,583	3,241	8,942	63,189
Montana	435	5,024	356	2,518	24	10	295	691	1,110	8,243
Nebraska	1,349	13,447	689	7,416	121	65	539	1,224	2,698	22,152
Nevada	274	3,952	519	4,768	11	5	502	1,384	1,306	10,109
New Hampshire	664	6,165	355	4,225	90	60	345	642	1,454	11,092
New Jersey	5,463	54,339	3,273	52,418	1,335	1,044	1,747	3,674	11,818	111,475
New Mexico	579	6,579	554	5,899	95	59	601	1,081	1,829	13,618
New York	11,154	108,304	8,263	115,493	1,885	1,322	5,873	10,549	27,175	235,668
North Carolina	3,900	33,535	2,330	26,030	3,299	1,873	2,450	4,505	11,979	65,943
North Dakota	446	4,898	288	2,449	4	2	227	656	965	8,005
Ohio	8,109	74,974	5,331	65,132	3,254	2,098	4,041	8,957	20,735	151,161
Oklahoma	1,624	17,932	1,068	12,590	392	234	1,025	2,355	4,109	33,111
Oregon	1,196	14,165	1,176	12,864	82	40	762	1,667	3,216	28,736
Pennsylvania	9,820	77,798	6,049	66,566	4,277	2,561	4,656	9,232	24,802	156,157
Rhode Island	789	7,082	620	5,709	171	105	342	554	1,922	13,450
South Carolina	2,222	16,699	1,521	12,580	2,506	1,492	1,317	2,321	7,566	33,092
South Dakota	490	4,996	242	2,324	4	2	205	545	941	7,867
Tennessee	2,723	26,438	2,400	22,289	2,465	1,438	2,138	4,602	9,726	54,767
Texas	8,181	90,297	6,503	68,660	3,471	2,176	5,806	12,556	23,961	173,689
Utah	658	7,862	887	5,809	92	39	471	1,208	2,108	14,918
Vermont	345	3,086	208	2,108	34	22	212	349	799	5,565
Virginia	3,317	33,246	2,605	31,932	2,537	1,478	2,487	3,786	10,946	70,442
Washington	1,893	23,035	1,979	20,053	164	76	1,081	2,226	5,117	45,390
West Virginia	1 010	8,539	828	8,960	585	363	936	1,659	3,359	19,521
Wisconsin	3 373	31,177	2,446	23,973	463	275	1,136	2,692	7,418	58,117
Wyoming	247	2,984	195	1,981	5	3	168	401	615	5,369
Total U.S.	142,395	$1,425,095	110,445	$1,243,994	63,950	$38,080	83,725	$163,081	400,515	$2,870,250

Note. "Credit" is limited to life insurance on loans of ten years' or less duration. "Ordinary" and "Group" include credit life insurance on loans of more than ten years' duration.

*Includes group credit certificates.

Source: American Council of Life Insurance.

Life Insurance In Force in the United States by Type and Geographic Division 1978 *(000,000 Omitted)*

Division	Ordinary	Group	Industrial	Credit	Total
New England	$ 81,392	$ 73,900	$ 924	$ 6,812	$ 163,028
Middle Atlantic	240,441	234,477	4,927	23,455	503,300
East North Central	280,622	271,333	6,439	31,507	589,901
West North Central	122,769	90,299	1,207	12,423	226,698
South Atlantic	219,532	183,796	12,045	28,008	443,381
East South Central	78,649	63,088	5,534	13,549	160,820
West South Central	142,769	106,882	4,985	20,373	275,009
Mountain	71,233	50,788	532	9,892	132,445
Pacific	187,688	169,431	1,487	17,062	375,668
United States	$1,425,095	$1,243,994	$38,080	$163,081	$2,870,250

Note: "Credit" is limited to life insurance on loans of ten years' or less duration. "Ordinary" and "Group" include credit life insurance on loans of more than ten years' duration.

Source: American Council of Life Insurance.

Credit life is another type of life insurance, designed to pay the balance of loans (of 10 years' or less duration) if the borrower should die before repaying the amount due. A total of $163.1 billion of credit life insurance was in force at year-end 1978.

A study of U.S. legal reserve life insurance companies found that the five largest companies, each with assets of over $10 billion as of 1970, represented 32% of the life insurance in force at the end of 1978 and 28% of the ordinary life insurance in force. Companies with asset rankings from $1 billion to $9 billion as of 1970 accounted for 24% of the total life insurance in force and 25% of the ordinary in force in 1978.

Participating insurance accounted for $1,816 billion or 58% of all life insurance in force with U.S. companies at the end of 1978. With this type of life insurance a policyholder receives, in the form of annual dividends, the portion of the premiums that is not needed by the company for death payments to beneficiaries, additions to reserves or administrative expenses. The remaining $1,292 billion or 42% of life insurance in force was nonparticipating, which has generally lower premium rates but does not provide for policy dividends. Participating life insurance accounted for 59% and nonparticipating 41% of total ordinary insurance in force in U.S. companies.

Mutual life insurance companies, which have no stockholders, and whose boards of directors are elected by their policyholders, provided $1,568 billion, or 51% of total life insurance in force with U.S. life companies at the end of 1978. Stock life insurance companies, which are owned by their stockholders, accounted for $1,539 billion, or 49% of total life insurance in force at the end of 1978. In general, mutual companies sell participating insurance, and stock companies sell nonparticipating (guaranteed cost) insurance. Mutual companies accounted for 55% of total group life. Stock life companies provided 68% of the total industrial life insurance in force, and they also accounted for 76% of credit life in force.

The data in this chapter do not include life insurance in force in the United States issued by other private insurers, including fraternal societies, and by the Federal government. The total life insurance in force, including that issued by these other sources, amounted to $3.0 trillion at the end of 1978. If this

Life Insurance in Force in the United States by Plan

Plan of Insurance	1974 Number of Policies* (000 Omitted)	1974 Amount (000,000 Omitted)	1974 % of Amount	1977 Number of Policies* (000 Omitted)	1977 Amount (000,000 Omitted)	1977 % of Amount
ORDINARY						
Whole Life						
Straight Life, Premium Paying	54,500	$ 496,600	49.2	60,300	$ 616,900	47.8
Limited Payment Life, Premium Paying	28,700	100,200	9.9	28,300	123,500	9.6
Paid-Up	19,500	39,700	3.9	20,200	45,200	3.5
Endowment	11,900	43,000	4.3	11,900	52,200	4.1
Retirement Income With Insurance	2,400	17,500	1.7	2,400	21,700	1.7
Term						
Extended	5,000	16,700	1.6	5,600	20,700	1.6
Regular						
Decreasing	5,400	89,400	8.9	6,100	114,800	8.9
Other	3,800	83,300	8.3	4,700	147,400	11.4
Other						
Decreasing	—	68,200	6.8	—	79,600	6.2
Other	—	54,400	5.4	—	67,300	5.2
Total Ordinary	131,200	$1,009,000	100.0	139,500	$1,289,300	100.0
GROUP						
Term						
Decreasing	1,700	$ 27,300	3.3	2,000	$ 35,600	3.2
Other	90,200	793,600	95.9	102,000	1,071,800	96.1
Permanent						
Whole Life						
Premium Paying	1,100	5,200	.6	1,100	6,200	.6
Paid-Up	500	1,000	.1	500	1,100	.1
Endowment	†	100	††	†	100	††
Retirement Income	100	400	.1	†	300	††
Total Group	93,600	$ 827,600	100.0	105,600	$1,115,100	100.0
INDUSTRIAL						
Whole Life						
Straight Life, Premium Paying	9,200	$ 5,400	13.7	9,100	$ 6,100	15.6
Limited Payment Life, Premium Paying	23,800	15,300	38.8	19,400	13,400	34.4
Paid-Up	27,700	12,400	31.5	27,300	13,200	33.8
Endowment	6,200	2,900	7.4	4,900	2,400	6.1
Term						
Extended	4,500	2,700	6.8	5,000	3,200	8.2
Regular						
Decreasing	—	—	—	†	‡	††
Other	†	‡	††	100	100	.3
Other						
Decreasing	—	100	.3	—	100	.3
Other	—	600	1.5	—	500	1.3
Total Industrial	71,400	$ 39,400	100.0	65,800	$ 39,000	100.0
CREDIT (Term)	83,800	$ 109,600	—	79,300	$ 139,400	—
TOTAL LIFE INSURANCE IN FORCE	380,000	$1,985,600	—	390,200	$2,582,800	—

Note: "Ordinary" and "Group" include credit life insurance on loans of more than ten years' duration. "Credit" is limited to life insurance on loans of ten years' or less duration. In 1977, there were 2,293,000 ordinary policies in force under reduced paid-up options which totaled $3,973,000,000. For reporting purposes, the basic portion of combination plans is listed under the appropriate plan while the additional term portion, by rider or otherwise, is listed under term plans.

*Includes group certificates. †Less than 50,000. ††Less than .05%. ‡Less than $50,000,000.

Source: American Council of Life Insurance.

amount were divided equally among American families, each would have $36,300 of coverage. Some 145 million people were insured by some form of life insurance at year-end 1978.

A survey of life insurance in force by plan at year-end 1977 showed that within ordinary insurance ownership, whole life policies accounted for the highest proportion of the amount in force. The size of the average whole life policy in force has increased since 1974 by 16.5%, reaching $7,220 in 1977. However, as a percentage of total ordinary in force, whole life declined from 63.0% in 1974 to 60.9% in 1977. Endowment and retirement income policies also declined, accounting for 5.8% of the ordinary in force in 1977, compared with 6.0% in 1974. During the same time period, ordinary term plans increased as a share of the total, from 30.9% to 33.3%. A 3.1 percentage point increase in the proportion of level term plans caused the greatest impact on the growth over the three-year period. Term riders and term portions of combination plans together showed a slight decline, from 12.2% of the ordinary in force in 1974 to 11.4% in 1977.

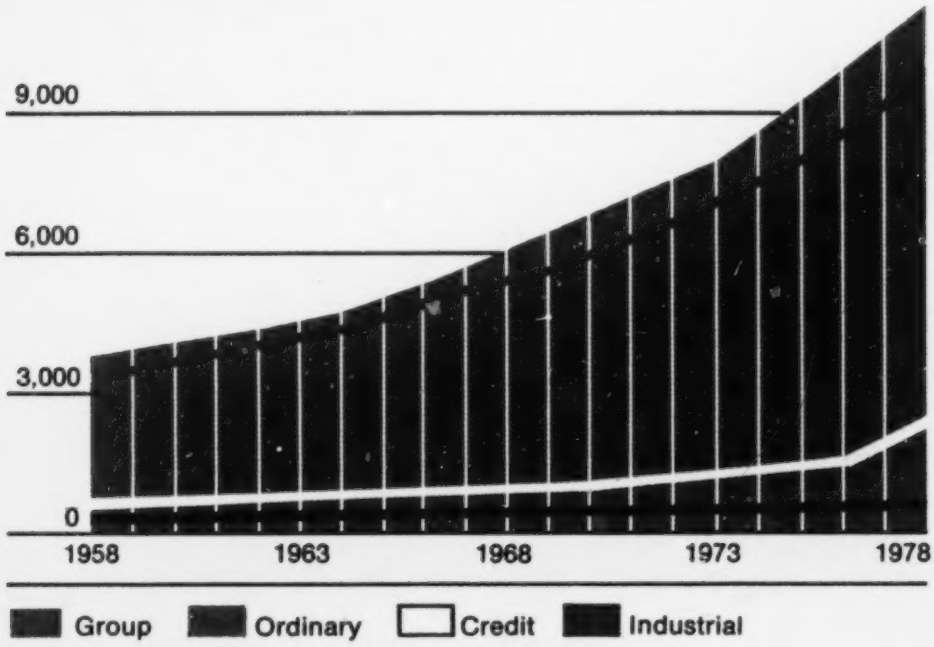
Average Size Life Insurance Policy In Force in the United States

Year	Ordinary	Group	Industrial	Credit
1920	$ 1,990	$ 960	$150	$ 200
1930	2,460	1,700	210	200
1940	2,130	1,700	240	150
1950	2,320	2,480	310	360
1960	3,600	4,030	390	680
1965	4,660	5,060	450	850
1966	4,940	5,360	450	840
1967	5,150	5,730	470	870
1968	5,450	6,070	480	910
1969	5,770	6,470	490	950
1970	6,110	6,910	500	1,000
1971	6,440	7,170	520	1,080
1972	6,790	7,530	530	1,190
1973	7,230	8,010	540	1,300
1974	7,690	8,840	550	1,310
1975	8,090	9,360	570	1,410
1976	8,610	10,010	580	1,580
1977	9,240	10,550	590	1,760
1978	10,010	11,260	600	1,950

Note: "Credit" is limited to life insurance on loans of ten years' or less duration. "Ordinary" and "Group" include credit life insurance on loans of more than ten years' duration.

Sources: Spectator Year Book *and American Council of Life Insurance.*

Average Size Life Insurance Policy In Force in the United States



Life Insurance and Disposable Personal Income Per Family in the United States

Year	Life Insurance Per Insured Family	Life Insurance Per Family	Disposable Personal Income Per Family	Year	Life Insurance Per Insured Family	Life Insurance Per Family	Disposable Personal Income Per Family
1930	N.A.	$ 2,800	$1,900	1967	$20,300	$17,100	$ 8,600
1935	N.A.	2,400	1,400	1968	21,500	18,300	9,100
1940	N.A.	2,700	1,700	1969	22,800	19,400	9,500
1945	$ 5,200	3,200	3,200	1970	24,400	20,700	10,100
1950	6,000	4,600	4,000	1971	25,500	21,700	10,700
1955	8,700	6,900	5,100	1972	26,900	22,900	11,300
1960	12,700	10,200	6,100	1973	28,800	24,400	12,400
1961	13,500	10,800	6,200	1974	31,200	26,500	13,100
1962	14,300	11,400	6,500	1975	33,000	28,100	14,200
1963	15,300	12,200	6,700	1976	35,000	30,100	15,200
1964	16,400	13,300	7,300	1977	37,700	32,400	16,400
1965	17,800	14,600	7,700	1978	40,800	35,100	17,800
1966	19,000	15,800	8,200				

Note: Data are revised. "Families" here include the units defined by the Bureau of the Census as families, subfamilies and unrelated individuals; these numbered 81,710,000 in 1978. The average amounts shown above are arithmetic means.

N.A. = Not available.

Sources: Spectator Year Book, *American Council of Life Insurance, Life Insurance Marketing and Research Association and U.S. Department of Commerce.*

Average Amount of Life Insurance In Force Per Family in the United States by State 1978

State	Amount	State	Amount	State	Amount
Alabama	$34,100	Louisiana	$35,300	Oklahoma	$29,500
Alaska	39,800	Maine	28,300	Oregon	29,700
Arizona	34,900	Maryland	36,900	Pennsylvania	35,400
Arkansas	23,900	Massachusetts	33,500	Rhode Island	38,400
California	31,300	Michigan	41,800	South Carolina	33,200
Colorado	39,400	Minnesota	37,600	South Dakota	31,700
Connecticut	44,000	Mississippi	26,800	Tennessee	34,200
Delaware	50,800	Missouri	33,700	Texas	36,500
D.C.	51,300	Montana	28,200	Utah	33,900
Florida	28,700	Nebraska	37,600	Vermont	31,300
Georgia	38,400	Nevada	38,100	Virginia	37,300
Hawaii	51,500	New Hampshire	34,700	Washington	30,900
Idaho	31,800	New Jersey	41,200	West Virginia	28,100
Illinois	40,600	New Mexico	33,200	Wisconsin	34,400
Indiana	36,900	New York	34,100	Wyoming	34,400
Iowa	36,500	North Carolina	32,800		
Kansas	34,300	North Dakota	35,100		
Kentucky	29,700	Ohio	38,500	United States	$35,100

Note: The average amounts per family are arithmetic means. "Family" includes primary families, subfamilies and unrelated individuals.

Sources: American Council of Life Insurance and U.S. Department of Commerce.

Life Insurance In Force in U.S. Life Insurance Companies *(000,000 Omitted)*

Year	Number of Policies*	Amount	Year	Number of Policies*	Amount
1900	14	$ 8,562	1964	346	$ 850,090
1905	22	13,364	1965	359	958,623
1910	30	16,404	1966	372	1,051,701
1915	43	22,777	1967	378	1,155,619
1920	68	42,281	1968	389	1,266,151
1925	101	71,690	1969	399	1,381,101
1930	128	107,948	1970	402	1,506,472
1935	124	100,730	1971	405	1,620,343
1940	137	117,794	1972	413	1,760,350
1945	167	155,723	1973	417	1,922,311
1950	210	242,018	1974	426	2,144,580
1955	266	389,081	1975	428	2,312,283
1960	308	618,189	1976	429	2,530,767
1961	316	665,628	1977	448	2,788,679
1962	323	715,435	1978	449	3,107,513
1963	334	775,265			

Note: Totals represent all life insurance in force with U.S. life companies (including both direct business and reinsurance acquired, and without deducting reinsurance ceded, which amounted to $215 billion in 1978) whether the policyholders are residents of the United States or of some other country. Figures include credit life insurance.

*Includes group certificates.

Sources: Spectator Year Book *and American Council of Life Insurance.*

Ordinary Life Insurance

Ordinary life insurance protection in the United States advanced to $1,425 billion at the end of 1978, an increase of 10.5% during the year and more than twice the amount in force at the end of 1968. Purchases during the year totaled $279.0 billion, an increase of $31.6 billion over the previous year.

Ordinary life is the most widely used form of life insurance protection. At year-end 1978, ordinary life accounted for 50% of all life insurance in force in the U.S. Ordinary life insurance is typically purchased through life insurance agents and issued under individual policies with face amounts of $1,000 or

Ordinary Life Insurance In Force

In the United States *(000,000 Omitted)*

Year	No. of Policies	Amount	Year	No. of Policies	Amount
1895	2	$ 4,170	1963	102	$ 420,808
1900	3	6,124	1964	104	457,868
1905	5	9,585	1965	107	499,638
1910	6	11,783	1966	109	541,022
1915	9	16,650	1967	113	584,570
1920	16	32,018	1968	116	633,392
1925	23	52,892	1969	118	682,453
1930	32	78,576	1970	120	734,730
1935	33	70,684	1971	123	792,318
1940	37	79,346	1972	126	853,911
1945	48	101,550	1973	128	928,192
1950	64	149,116	1974	131	1,009,038
1955	80	216,812	1975	134	1,083,421
1960	95	341,881	1976	137	1,177,672
1961	97	366,141	1977	139	1,289,321
1962	99	391,048	1978	142	1,425,095

In U.S. Life Insurance Companies *(000,000 Omitted)*

Year	No. of Policies	Amount	Year	No. of Policies	Amount
1900	3	$ 7,093	1964	108	$ 478,334
1905	5	11,054	1965	111	522,694
1910	7	13,227	1966	114	568,025
1915	10	18,249	1967	118	615,671
1920	16	33,451	1968	121	667,532
1925	24	54,549	1969	123	721,236
1930	33	79,729	1970	125	777,163
1935	33	71,937	1971	128	839,767
1940	39	81,006	1972	131	906,255
1945	49	104,355	1973	134	983,388
1950	66	154,394	1974	137	1,071,369
1955	83	225,554	1975	140	1,153,160
1960	99	355,608	1976	143	1,257,738
1961	101	381,061	1977	147	1,382,356
1962	103	407,777	1978	151	1,535,982
1963	105	439,147			

Note: Data include individual credit life insurance on loans of more than ten years' duration. Totals for "In the United States" represent all life insurance (net of reinsurance) on residents of the United States, whether issued by U.S. or foreign companies. Totals for "In U.S. Life Insurance Companies" represent all life insurance in force with U.S. companies (including both direct business and reinsurance acquired, and without deducting reinsurance ceded) whether the policyholders are residents of the United States or of some other country.

Sources: Spectator Year Book *and American Council of Life Insurance.*

more. Ordinary life can be broken down into two basic types of protection, whole life (permanent) and term insurance.

Whole life insurance offers more than death protection. Unlike term policies, whole life insurance builds cash values that can help families meet financial emergencies, pay for special goals or provide income for retirement years.

Cash values of life insurance policies are a by-product of the level premium system of whole life insurance. As the mortality rate increases with age, the cost of life insurance increases. However, under the level premium approach, the annual premium remains the same, despite the increasing risk of death.

Although the premium charged in the earlier years is higher than the actual cost of the insurance, in later years it is substantially lower than the actual costs of protection. The excess amount of each premium in the early years is held in reserve, which along with future level premiums, assures that funds will be available to cover the increasing risk of death as the policyholder grows older. The policyholder who decides to give up the protection by surrendering

Mass-Marketed Ordinary Life Insurance In Force by Type and by Size of Insured Group 1978

	Number of Groups	Number of Members*	Insurance in Force: Amount	Insurance in Force: % of Amount	Insurance in Force: Average Amount of Insurance Per Member
Type of Group					
Related to Employment or Occupation					
Employer-Employee	40,780	541,000	$ 3,259,000,000	23.1	$ 6,024
Union and Joint Employer-Union	20	2,000	16,000,000	.1	8,000
Professional Society	240	277,000	3,364,000,000	23.8	12,144
Employee Association	290	202,000	2,089,000,000	14.7	10,243
Other—Related to Employee Benefit Program	10	19,000	165,000,000	1.2	8,684
Other—Not Related to Employee Benefit Program	†	††	†††	**	***
Total	41,340	1,041,000	$ 8,873,000,000	62.9	$ 8,524
Not Related to Employment or Occupation					
Fraternal Society	40	46,000	$ 208,000,000	1.5	$ 4,522
Savings or Investment Group	50	47,000	104,000,000	.7	2,213
Credit Card Holders	10	237,000	2,046,000,000	14.5	8,633
Mortgage Insurance	390	77,000	872,000,000	6.2	11,325
Students	380	122,000	834,000,000	5.9	6,836
Credit Unions	2,460	66,000	575,000,000	4.1	8,712
Other	2,930	137,000	593,000,000	4.2	4,328
Total	6,260	732,000	5,232,000,000	37.1	7,148
Total All Groups	47,600	1,773,000	$14,105,000,000	100.0	$ 7,955
Size of Group					
Fewer than 10 Members	44,920	311,000	$ 1,529,000,000	10.9	$ 4,916
10-24 Members	1,230	25,000	212,000,000	1.5	8,400
25-99 Members	870	77,000	583,000,000	4.1	7,571
100-499 Members	390	152,000	1,229,000,000	8.7	8,086
500 or More Members	190	1,208,000	10,552,000,000	74.8	8,735
Total All Groups	47,600	1,773,000	$14,105,000,000	100.0	$ 7,955

Note: Coverage is estimated on basis of reports from life insurance companies having 93% of the total amount of mass-marketed ordinary life insurance in force in the United States (excluding credit life) at year-end 1978; and by size of group, 76%.

*Includes duplication where individuals are included in more than one group.

†Fewer than 5. ††Fewer than 500. †††Less than $500,000.

**Less than .05%.

***Not calculated for fewer than 500 members.

the policy is entitled to a share of the company's reserves. The measure of this share is the cash value.

Term insurance policies offer pure protection and do not build up cash values. The premiums are lower than whole life policies of the same amounts, but increase with each renewal of the term policy, reflecting higher mortality rates at older ages.

Surveys of life insurance in force by plan show that among ordinary insurance, permanent policies account for the highest proportion, 66.7% in 1977. Term insurance, including the term portion of combination plans, is an increasing proportion of all ordinary insurance, rising from 30.9% in 1974 to 33.3% in 1977.

One form of ordinary life insurance that has come into wider use in recent years is mass-marketed, wholesale insurance. It is sold on an individual basis to members of a group, usually as term life insurance policies with automatic renewal provisions. (In contrast, group life insurance is issued in the form of a master policy, under which certificates are issued to the individuals covered.) At year-end 1978, $14.1 billion of mass-marketed wholesale ordinary life was in force in the United States. New issues of mass-marketed ordinary that year amounted to $3.6 billion.

A survey of mass-marketed ordinary life insurance in force at year-end 1978 shows that coverage of employer-employee and professional society groups accounted for 46.9% of the total amount of mass-marketed ordinary in force. The average amount of insurance for all employees with coverage related to employment or occupation was $8,524.

For insureds with coverage not related to employment or occupation, the average amount of coverage was $7,955. Credit card holders accounted for 14.5% of the amount of in force, while insureds with mortgage insurance and students accounted for an additional 12.1%.

Several innovative forms of ordinary life insurance have been introduced in recent years, among them variable, adjustable and variable premium life.

The assets underlying benefits of variable life insurance are held in separate accounts invested primarily in equity-type securities. The death payment increases or decreases depending on investment results, but there is a guaranteed minimum death benefit.

By the end of 1978, over $241 million of variable life insurance was in force in U.S. companies. Sale of this form is specifically authorized in 47 states.

Adjustable life insurance allows an individual to switch protection from term insurance to whole life and back again, as needs change. The adjustable life policy is flexible; its holder can, within limits, raise or lower the face amount of the policy, increase or decrease the premium, and lengthen or shorten the protection period.

Variable premium life is another new "inflation-era" whole life type of protection. As inflation rises, driving interest rates higher and increasing investment income, the premiums decrease.

Ordinary life is principally used for family protection but it is also widely used for business purposes. Life insurance may be used by a business to protect against the economic loss to the firm that would be caused by the death of the owner or of a key employee.

Group Life Insurance

At the end of 1978 group life insurance in the United States totaled nearly $1,244 billion. This amount represented an 11.6% increase during the year and is nearly triple the amount at the end of 1968. Group protection amounted to 43% of all life insurance in force in the United States at the end of 1978.

Group life insurance set up under new or revised group contracts in the United States during 1978 totaled $122 billion. About two-fifths of the group life purchased during 1978 was issued under new master contracts. The rest represented increases under existing contracts to cover additional groups of employees or to provide higher benefit levels. Group insurance is a near universal employee benefit in the United States.

Group Life Insurance In Force

In the United States *(000 Omitted)*

Year	No. of Master Policies	No. of Certificates	Amount	Year	No. of Master Policies	No. of Certificates	Amount
1912	*	12	$ 13,000	1965	234	60,930	$ 308,078,000
1915	*	120	100,000	1966	249	64,594	345,945,000
1920	6	1,600	1,570,000	1967	261	68,818	394,501,000
1925	12	3,200	4,247,000	1968	275	72,895	442,778,000
1930	19	5,800	9,801,000	1969	290	75,527	488,864,000
1935	18	6,400	10,208,000	1970	304	79,844	551,357,000
1940	23	8,800	14,938,000	1971	312	82,320	589,883,000
1945	31	11,500	22,172,000	1972	326	85,102	640,689,000
1950	56	19,288	47,793,000	1973	338	88,385	708,322,000
1955	89	31,649	101,345,000	1974	359	93,567	827,018,000
1960	169	43,602	175,903,000	1975	378	96,693	904,695,000
1961	180	46,262	192,794,000	1976	404	100,138	1,002,647,000
1962	193	48,568	209,950,000	1977	437	105,649	1,115,047,000
1963	203	51,062	229,477,000	1978	495	110,445	1,243,994,000
1964	219	54,695	253,620,000				

In U.S. Life Insurance Companies *(000 Omitted)*

Year	No. of Master Policies	No. of Certificates	Amount	Year	No. of Master Policies	No. of Certificates	Amount
1912	*	12	$ 13,000	1967	276	84,359	$ 425,039,000
1915	*	122	100,000	1968	290	89,431	476,001,000
1920	6	1,700	1,636,000	1969	305	93,075	527,344,000
1925	12	3,221	4,299,000	1970	318	97,693	593,675,000
1930	20	5,791	9,859,000	1971	325	102,313	639,441,000
1935	19	6,191	10,395,000	1972	336	103,398	697,422,000
1940	22	8,833	15,063,000	1973	349	107,977	772,134,000
1945	31	11,507	22,501,000	1974	369	112,123	896,505,000
1950	56	21,944	49,330,000	1975	388	115,928	978,920,000
1955	92	35,234	105,657,000	1976	422	119,078	1,082,217,000
1960	182	51,212	187,323,000	1977	448	121,924	1,198,107,000
1965	247	74,728	330,836,000	1978	506	126,697	1,333,623,000
1966	263	78,795	372,330,000				

Note: Data include group credit life insurance on loans of more than ten years' duration. Totals for "In The United States" represent all life insurance (net of reinsurance) on residents of the United States, whether issued by U.S. or foreign companies. Totals for "In U.S. Life Insurance Companies" represent all life insurance in force with U.S. companies (including both direct business and reinsurance acquired, and without deducting reinsurance ceded) whether the policyholders are residents of the United States or of some other country.

*Fewer than 500 policies.

Sources: Spectator Year Book *and American Council of Life Insurance.*

Many group life plans provide for coverage on the lives of dependents of group members. Many also extend employees' group protection after retirement, usually in reduced amounts. Coverage on dependents totaled $29.8 billion at the end of 1978.

One recent development in the area of group life insurance concerns survivor benefits. Where most group life insurance provides for insurance proceeds in a lump sum amount, which may or may not be applied under various settlement options, plans with survivor benefits are designed to meet continuing family needs. Benefits are normally described as a continuing monthly payment to the surviving spouse in an amount related to the income of the employee. The period of payment is frequently related to the employee's length of service with the employer. Payments may extend for life or to the age at which Social Security retirement payments become available, but cease on remarriage. Contingent benefits to dependent children in the event of the spouse's death are also available. The initial value of these survivor benefits can range from three to 10 times an employee's annual salary. Group life insurance in force represented by these survivor benefits amounted to $30.3 billion at year-end 1978.

A survey of group life insurance in force at year-end 1978 shows that 91.7% of the master policies covered employer-employee groups, accounting for 87.8% of the total amount of group life insurance in force. The average coverage per employee was $16,753.

Plans administered by unions, or jointly by unions and employers, accounted for 1.1% of the master policies and 3.3% of the total amount of group insurance at the end of 1978, with coverage per employee averaging $5,175.

Professional societies, employee associations and other groups indirectly related to employment or occupation accounted for .5% of the master policies and 3.7% of the total group amount. Savings or investment groups accounted for 4.3% of the master policies.

Employee and Dependent Coverage Under Group Life Insurance in the United States 1978

	Number of Master Policies	Amount
PURCHASED DURING YEAR		
Primary Coverage, Employee and Other	124,000	$ 118,041,000,000
Survivor Benefit Coverage	N.A.	689,000,000
Dependent Coverage	6,690*	2,999,000,000
Total	124,000	$ 121,729,000,000
IN FORCE AT END OF YEAR		
Primary Coverage, Employee and Other	494,840	$1,183,927,000,000
Survivor Benefit Coverage	N.A.	30,291,000,000
Dependent Coverage	34,440*	29,776,000,000
Total	494,840	$1,243,994,000,000

Note: Figures include group credit life insurance on loans of over ten years' duration.

*These policies cover employees as well as dependents and are also included with employee master policies.

N.A.—Not available.

Source: American Council of Life Insurance.

Group Life Insurance In Force By Type and By Size of Insured Group in the United States 1978

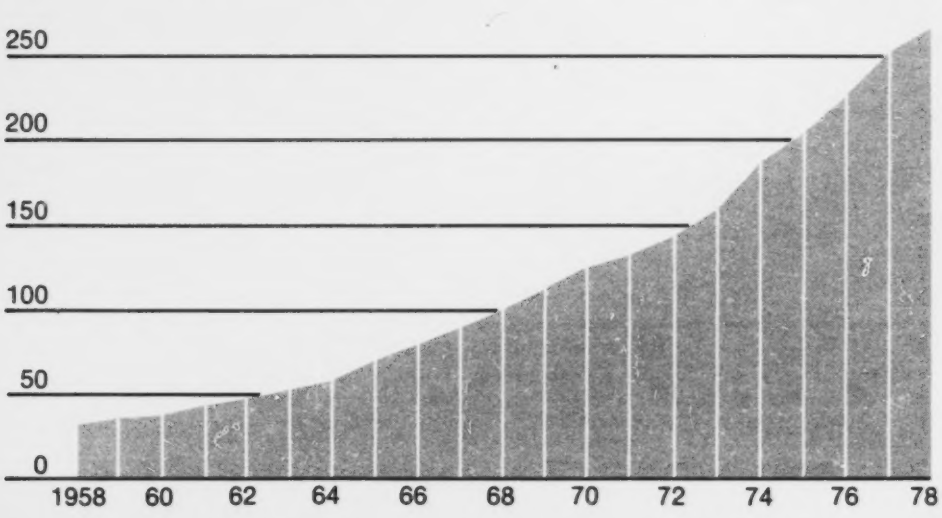
	Master Policies		Insurance In Force		
	Number	% of Total	Amount (000,000 Omitted)	% of Total	Average Amount of Coverage Per Member
TYPE OF GROUP					
Related to Employment or Occupation					
Employer-Employee	453,670	91.7	$ 945,891	87.8	$16,753
Union and Joint Employer-Union	5,250	1.1	35,209	3.3	5,175
Professional Society	960	.2	18,458	1.7	28,052
Employee Association	1,730	.3	19,911	1.8	13,703
Other—Related to Employee Benefit Program	3,290	.7	7,933	.7	11,497
Other—Not Related to Employee Benefit Program	130	*	2,095	.2	22,287
Total	465,030	94.0	1,029,497	95.5	15,561
Not Related to Employment or Occupation					
Fraternal Society	340	.1	2,517	.2	12,460
Savings or Investment Group	21,380	4.3	17,764	1.7	633
Group Mortgage Insurance	5,720	1.1	24,780	2.3	17,512
Other	2,370	.5	3,170	.3	6,108
Total	29,810	6.0	48,231	4.5	1,597
Total All Groups	494,840	100.0	$1,077,728	100.0	$11,183
SIZE OF GROUP					
Fewer Than 10 Members	147,310	29.8	$ 7,223	.7	$11,802
10- 24 Members	136,400	27.6	25,816	2.4	11,837
25- 99 Members	135,800	27.4	68,265	6.3	12,074
100-499 Members	42,640	8.6	105,597	9.8	12,840
500 or More Members	32,690	6.6	870,827	80.8	10,927
Total All Groups	494,840	100.0	$1,077,728	100.0	$11,183

Note: Data exclude dependent coverage, Federal Employees' Group Life Insurance, and Servicemen's Group Life Insurance. Group credit life insurance on loans of over ten years' duration is included.

*Less than .05%.

Source: American Council of Life Insurance.

Growth of Group Life Insurance in the United States



Industrial Life Insurance

Industrial life insurance policies are issued for small amounts, usually less than $1,000, and the premiums generally are paid weekly or monthly to an agent who calls at the policyholder's home. Over 9 out of 10 industrial policies in force have cash value elements.

Total industrial life insurance coverage in the United States was $38.1 billion at the end of 1978. This amount reflected a decrease of $965 million during the year. The average size industrial life insurance policy in force was $600 in 1978.

Purchases of industrial life insurance in 1978 amounted to $6.3 billion, a decrease of $235 million from the previous year's level.

Industrial insurance represented 1.3% of all legal reserve life insurance in force in the U.S. at the end of 1978, compared with 8% two decades before. This decline has been due largely to the economic gains of American workers, who need and now can buy more life insurance protection than industrial policies normally provide. The increased availability of group life insurance through one's employer has also been an important factor. On the other hand, industrial life insurance, as well as a sizable segment of ordinary life insurance which is on a debit basis, continues to serve a definite need of many lower income families.

Home Service Life Insurance. In recent years, industrial life insurance and monthly debit ordinary has come to be known as home service life insurance. Both of these types of policies are individual insurance serviced by agents who call at the policyholder's home to collect the premiums. (Monthly debit ordinary insurance is also included in the data on ordinary life insurance in this book.)

The volume of home service insurance in force has shown steady growth in recent years. Total coverage with U.S. life insurance companies amounted to $144.9 billion by year-end 1978, 4.7% of all life insurance in force with U.S. life companies.

Industrial Life Insurance In Force

In the United States *(000,000 Omitted)*

Year	No. of Policies	Amount	Year	No. of Policies	Amount
1895	7	$ 818	1963	93	$39,672
1900	11	1,449	1964	92	39,833
1905	17	2,278	1965	89	39,818
1910	23	3,125	1966	88	39,663
1915	32	4,279	1967	84	39,215
1920	48	6,948	1968	81	38,827
1925	71	12,318	1969	79	38,614
1930	86	17,963	1970	77	38,644
1935	81	17,471	1971	76	39,202
1940	85	20,866	1972	76	39,975
1945	101	27,675	1973	75	40,632
1950	108	33,415	1974	71	39,441
1955	112	39,682	1975	70	39,423
1960	100	39,563	1976	67	39,175
1961	98	39,451	1977	66	39,045
1962	95	39,638	1978	64	38,080

Note: Totals represent all life insurance (net of reinsurance) on residents of the United States, whether issued by U.S. or foreign companies.

Sources: Spectator Year Book *and American Council of Life Insurance.*

Industrial Life Insurance In Force

U.S. Life Insurance Companies *(000,000 Omitted)*

Year	No. of Policies	Amount	Year	No. of Policies	Amount
1900	11	$ 1,469	1964	93	$40,573
1905	17	2,310	1965	91	40,498
1910	23	3,177	1966	89	40,322
1915	33	4,428	1967	85	39,847
1920	50	7,190	1968	83	39,425
1925	74	12,824	1969	80	39,180
1930	89	18,287	1970	79	39,179
1935	84	18,297	1971	77	39,708
1940	87	21,344	1972	77	40,455
1945	104	28,497	1973	76	41,087
1950	111	34,391	1974	72	39,877
1955	115	40,798	1975	71	39,825
1960	102	40,446	1976	68	39,574
1961	100	40,292	1977	67	39,418
1962	97	40,452	1978	65	38,444
1963	96	40,508			

Note: Totals represent all life insurance in force with U.S. companies (including both direct business and reinsurance acquired, and without deducting reinsurance ceded), whether the policyholders are residents of the United States or of some other country.

Sources: Spectator Year Book *and American Council of Life Insurance.*

Home Service Life Insurance In Force

U.S. Life Insurance Companies *(000,000 Omitted)*

	Monthly Debit Ordinary		Industrial		Total	
Year	No. of Policies	Amount	No. of Policies	Amount	No. of Policies	Amount
1970	33	$ 73,569	79	$39,179	112	$112,748
1971	33	77,974	77	39,708	110	117,682
1972	33	81,867	77	40,455	110	122,322
1973	34	84,760	76	41,087	110	125,847
1974	34	87,785	72	39,877	106	127,662
1975	34	91,985	71	39,825	105	131,810
1976	34	98,135	68	39,574	102	137,709
1977	34	102,307	67	39,418	101	141,725
1978	34	106,461	65	38,444	99	144,905

Note: Totals represent all life insurance in force with U.S. companies (including both direct business and reinsurance acquired, and without deducting reinsurance ceded), whether the policyholders are residents of the United States or of some other country. Data for monthly debit ordinary are included in the aggregate data for ordinary on pages 17-28.

Source: American Council of Life Insurance.

Credit Life Insurance

Credit life insurance, used to repay a debt in case the borrower dies, continued its growth in 1978. The amount of credit life in force in the United States totaled $163.1 billion at year-end, an increase of $23.7 billion over the previous year.

Credit life is term insurance, generally decreasing in amount as a loan is repaid. It protects the borrower's family, as well as the lender, against the unpaid debt that may be left at death. It is commonly a part of consumer credit contracts. Life companies issue credit insurance through such lenders as banks, finance companies, credit unions and retailers, who in turn make arrangements with the borrowers. The credit life insurance total includes protection of 10 years' or less duration issued through lenders.

Credit Life Insurance In Force

In the United States *(000 Omitted)*

Year	No. of Policies and Certificates	Amount	Year	No. of Policies and Certificates	Amount
1917	1	*	1965	62,599	$ 53,020,000
1920	22	$ 4,000	1966	69,415	58,059,000
1925	81	18,000	1967	70,423	61,535,000
1930	363	73,000	1968	74,851	68,357,000
1935	559	101,000	1969	78,285	74,598,000
1940	2,563	380,000	1970	77,516	77,392,000
1945	2,110	365,000	1971	76,041	81,931,000
1950	10,819	3,844,000	1972	78,439	93,410,000
1955	27,900	14,493,000	1973	77,574	101,154,000
1960	43,087	29,101,000	1974	83,860	109,623,000
1961	44,845	31,107,000	1975	79,708	112,032,000
1962	47,176	35,341,000	1976	78,230	123,569,000
1963	52,389	40,666,000	1977	79,259	139,402,000
1964	57,508	46,487,000	1978	83,725	163,081,000

In U.S. Life Insurance Companies *(000 Omitted)*

Year	No. of Policies and Certificates	Amount	Year	No. of Policies and Certificates	Amount
1917	1	*	1965	82,197	$ 64,595,000
1920	22	$ 4,000	1966	90,095	71,024,000
1925	81	18,000	1967	90,489	75,062,000
1930	363	73,000	1968	96,347	83,193,000
1935	559	101,000	1969	102,426	93,341,000
1940	2,568	381,000	1970	101,786	96,455,000
1945	2,124	370,000	1971	97,730	101,427,000
1950	10,992	3,903,000	1972	101,820	116,218,000
1955	32,985	17,072,000	1973	99,453	125,702,000
1960	55,650	34,812,000	1974	105,228	136,829,000
1961	58,465	36,841,000	1975	101,710	140,378,000
1962	62,723	41,704,000	1976	98,057	151,238,000
1963	69,901	48,476,000	1977	100,117	168,798,000
1964	76,810	56,291,000	1978	106,773	199,464,000

Note: "Credit" shown above is limited to life insurance on loans of ten years' or less duration. Totals for "In the United States" represent all life insurance (net of reinsurance) on residents of the United States, whether issued by U.S. or foreign companies. Totals for "In U.S. Life Insurance Companies" represent all life insurance in force with U.S. companies (including both direct business and reinsurance acquired, and without deducting reinsurance ceded) whether the policyholders are residents of the United States or of some other country.

*Less than $500,000.

Source: American Council of Life Insurance.

Life Insurance and American Families

A national survey conducted in 1976 for the American Council of Life Insurance and the Life Insurance Marketing and Research Association provides an inventory of life insurance coverage of adults and families and other households in the United States.

At year-end 1976, 2 out of 3 households in the U.S. had some form of life insurance coverage. Adult men were the most frequently insured, with 80% having some type of coverage; 78% were the primary policyholder. Sixty-five percent of adult women were insured; 54% as primary policyholders. Over half (57%) of all children were protected; the majority were covered as dependents.

The average (mean) amount of life insurance in force on a man was $29,000; on a woman, $7,680; and on a child $2,640. Adult men with their own policies (i.e., not covered as dependents) paid an average annual premium of $256. The average premium for women owning their own policies was $78 per year.

Life insurance purchased by an individual through a life insurance agent covered 54% of American adults; 59% of men and 50% of women. In 1976, the average amounts of agent-marketed individual life insurance owned by adult males and females were $19,210 and $5,240, respectively.

Some form of life insurance was held by 80% of U.S. household heads. The average amount of coverage per insured head was $26,730. Life insurance purchased by an individual through an agent was owned by 59% of household heads, while employee group life insurance provided protection for 42%. A larger percentage of male household heads had group coverage (48%) than did female heads (21%). The average amounts of group insurance owned by male and female household heads were $20,830 and $8,550, respectively. Group insurance protected 59% of household heads employed full-time; the highest incidence of coverage (71%) occuring in households whose total income was in the $20,000 to $24,999 range.

The survey showed that life insurance ownership was most prevalent in households where the head was in the 30 to 34 age group; one or more household members were insured in 91% of those households. The total amount of insurance owned by members of covered households averaged $49,320, with one-third of such households insured for $50,000 or more.

In 69% of households headed by persons 65 and over, one or more persons were protected by some form of life insurance; however, in two-thirds of covered households policies totaled less than $5,000.

Families where both husband and wife are present comprise approximately 62% of all American households. Of these husband-wife families, the head was most frequently insured (91%) when there was a child or children under age 18 living at home. The average amount of coverage for insured husbands in these families was $37,600, while the average coverage for the entire family was $48,110. Sixty-seven percent of heads of husband-wife families with children under 18 owned agent-marketed individual life insurance; the average amount of coverage was $23,500.

Primary individuals (a primary individual is a one-person household or a household in which two or more unrelated adults live together) comprise about 25% of all U.S. households. According to the survey, 63% of heads of such households were covered by some form of life insurance in 1976.

Ownership of Life Insurance by Adults 1976

Percent of Adults Insured by Type of Life Insurance

	All Types of Life Insurance		Agent-Marketed Individual Life Insurance		Employee Group Life Insurance	
Total Adult	72%		54%		31%	
Men	80		59		42	
Women	65		50		21	
Age	Male	Female	Male	Female	Male	Female
18-24	63%	57%	43%	39%	24%	21%
25-29	83	65	57	45	50	29
30-34	90	76	67	60	57	28
35-44	88	71	65	53	54	31
45-54	89	68	65	51	57	25
55-64	87	68	63	60	46	17
65 and Older	68	55	56	49	17	5
Total Life Insurance Coverage (All Adults)						
$100,000 or more	2%		1%		†	
$50,000-$99,999	5		2		2%	
$25,000-$49,999	9		4		3	
$15,000-$24,999	8		5		4	
$ 5,000-$14,999	21		16		14	
Less than $5,000	27		26		8	
	72%		54%		31%	
Average Amount of Coverage						
Total Adult	$18,720		$12,280		$16,250	
Men	29,000		19,210		20,620	
Women	7,680		5,240		8,620	
Wives	8,470		5,980		8,900	
Children	2,640		2,450		2,310	

Ownership of Life Insurance by Households 1976

Percent of Households in Which at Least One Member Owns Life Insurance

	All Types of Life Insurance	Agent-Marketed Individual Life Insurance	Employee Group Life Insurance
All Households	83%	65%	46%
Male Head	88	69	52
Female Head	67	52	24
All Families	88%	70%	51%
Husband-Wife Families	90	71	55
With Children Under 18	93	73	63
Without Children Under 18	88	70	47
Individual Heads	64%	46%	25%

Percent of Households in Which Household Head Is Insured

All Household Heads	80%	59%	42%
Male Head	85	62	48
Female Head	64	49	21
Heads of All Husband-Wife Families	88%	65%	50%
With Children Under 18	91	67	59
Without Children Under 18	84	63	41
Heads of All Families	85%	63%	46%
Incomplete Families*	71	54	25
Individual Heads**	63	44	24

Note: "All Types of Life Insurance" includes coverage with legal reserve life insurance companies, Veterans life insurance, and life insurance issued by savings banks, fraternal organizations, mutual aid and burial societies, and similar types of coverage. "Agent-Marketed Individual Life Insurance" comprises ordinary and/or industrial life insurance individually purchased through an agent.

†Less than .5%.

*A family of two or more related individuals in which the family head does not have a spouse living in the household.

**Households of one person and those in which two or more unrelated adults live together.

Source: A national consumer survey conducted in 1976 for the American Council of Life Insurance and the Life Insurance Marketing and Research Association.

ANNUITIES

The number of annuities in force with U.S. life insurance companies under individual and supplementary contracts totaled 4.8 million at the end of 1978, an increase of 555,000, or 13.0%, during the year.

Individual annuities accounted for 4.2 million of the total, an increase of 562,000, or 15.3%, from 1977. The growth was due largely to continued purchases of annuities for individual pension plans, made possible by the 1974 Federal pension legislation, the Employee Retirement Income Security Act. This follows an increase of 12.3% during 1977, 14.9% in 1976, and an increase of 22.2% in 1975, the first full year that the pension law was in effect.

Annual income now payable or to be paid in the future under individual annuities amounted to nearly $5.5 billion in 1978, an increase of $1.1 billion over 1977. Individually purchased annuities, such as Keogh plans or tax-sheltered type plans, are also discussed in the chapter on pension plans with life insurance companies (page 52).

Many supplementary contracts provide life income from life insurance policy proceeds. By year-end 1978, there were 580,000 supplementary contract life annuities in force with life insurance companies, providing an annual income of $432 million to annuitants.

Annuities provide protection against the possibility of outliving one's financial resources. They can be set up to pay income currently or in the future at regular intervals, usually monthly. Most annuities are intended to provide guaranteed retirement income of a predetermined amount, most often for life.

There are several sources of annuity plans. They are available on a group basis, most often as pension plans set up by employers with life insurance companies, or they can be purchased individually through a life insurance agent. The cash surrender, matured endowment values, or the death benefit of individual life insurance policies may also be used to set up an annuity. Group annuities with life insurance companies are covered in the chapter on pension plans (page 52).

Individual Annuities and Supplementary Contracts In Force 1978 U.S. Life Insurance Companies

	Individual Annuities		Supplementary Contracts	
	Number	Annual Income	Number	Annual Income
Income Now Payable	394,000	$ 401,000,000	559,000	$414,000,000
Income Deferred But Fully Paid	1,438,000	1,141,000,000	21,000	18,000,000
Income Deferred But Not Fully Paid	2,411,000	3,915,000,000	*	**
Total	4,243,000	$5,457,000,000	580,000	$432,000,000

Note: Data for supplementary contracts represent only those with life contingencies.

*Fewer than 500. **Less than $500,000.

Source: American Council of Life Insurance.

Variable Annuities. The variable annuity, all or part of which may be based on common stock investments or related to a cost of living or other index, was first developed in the 1950s. Part or all of the funds normally placed in common stocks or other investments are maintained in a separate investment account. Considerably more investment latitude is permitted with funds in separate accounts than with life insurance investments generally. With one type of variable annuity, income payments are fixed and guaranteed once they begin, although the initial size depends upon the value of the fund. With another, the income payments themselves vary with the current value of the investments on which the annuity is based. Many plans provide for a combination of fixed or variable incomes under one contract.

Survey data for year-end 1978 showed that there were 2.1 million persons covered by life insurance company variable annuity plans in the United States. Some 2.0 million of these persons were covered by plans with equity-based benefits.

Annualized income paid in 1978 amounted to $216.7 million, $42.6 million under the variable payment portion and $174.1 million under the fixed portion. In addition, many persons have plans which provide a variable benefit if the variable payment option is exercised prior to retirement as specified in the contract.

Variable Annuity Plans in the United States 1978

(Dollar Amounts in Thousands)

	Group Plans			Individual Plans (Equity Fund Index)	Total (Group and Individual)
	Equity Fund Index	Other Indices	Total Group		
IN FORCE YEAR-END 1978					
No. of Plans	49,860	10	49,870	—	—
No. of Persons	1,309,550	71,630	1,381,180	687,460	2,068,640
Reserves					
Variable	$2,970,680	$ 331,970	$3,302,650	$1,619,210	$ 4,921,860
Other	4,515,100	197,550	4,712,650	1,500,640	6,213,290
Total	$7,485,780	$ 529,520	$8,015,300	$3,119,850	$11,135,150
CONSIDERATIONS IN 1978					
Variable	$ 142,250	$ 17,540	$ 159,790	$ 231,270	$ 391,060
Other	867,050	23,970	891,020	341,830	1,232,850
Total	$1,009,300	$ 41,510	$1,050,810	$ 573,100	$ 1,623,910
VARIABLE ANNUITIES IN COURSE OF PAYMENT — 1978					
No. of Persons Receiving Payments Year-End 1978	17,080	9,070	26,150	8,270	34,420
Annualized Income					
Variable	$ 17,880	$ 20,410	$ 38,290	$ 4,290	$ 42,580
Fixed	146,790	21,230	168,020	6,100	174,120
Total	$ 164,670	$ 41,640	$ 206,310	$ 10,390	$ 216,700

Note: The table includes variable and fixed data on plans which provide variable annuity benefits either in whole or in part. Numbers of plans and active lives under plans which provide an option for a variable annuity payout at retirement are not included. For 1978 there were 300 such groups covering 94,400 persons and 3,750 individual plans. Previous years' data are being revised.

Source: American Council of Life Insurance.

LIFE INSURANCE BENEFIT PAYMENTS

Americans received over $28.6 billion in payments from life insurance policies and annuities during 1978, an 8.1% increase over 1977.

These payments, increasing steadily for many years, reflect the growing use of life insurance, not only in providing funds for the family whose breadwinner dies but for family financial needs during the policyholder's lifetime.

Since the majority of payments to beneficiaries, as well as payments to policyholders and annuitants, are made well after the time of purchase, life insurance benefit payments have not yet fully reflected the increase in life insurance and annuity purchases of the past two decades.

Several factors affect the pattern of life insurance benefit payments. Primary among them are the changes in the death rate among policyholders and the growth of group life insurance and other term insurance policies which do not incorporate a cash value.

These figures do not include $1.7 billion of benefits paid by other organizations issuing legal reserve life insurance, including fraternal societies, and by the Federal government.

Life Insurance Benefit Payments in the United States *(000 Omitted)*

Year	Death Payments	Matured Endowments	Disability Payments	Annuity Payments	Surrender Values	Policy Dividends	Total
1940 ...	$ 995,000	$ 269,200	$103,500	$ 176,500	$ 652,000	$ 468,100	$ 2,664,300
1945 ...	1,279,600	406,700	87,600	216,400	210,900	466,100	2,667,300
1950 ...	1,589,700	495,100	99,600	319,400	592,300	634,600	3,730,700
1955 ...	2,240,700	613,900	110,000	462,300	895,900	1,059,900	5,382,700
1960 ...	3,346,100	673,100	123,800	722,000	1,633,400	1,620,100	8,118,500
1965 ...	4,831,400	931,100	163,000	1,038,900	1,932,300	2,519,900	11,416,600
1966 ...	5,218,200	981,600	169,300	1,152,600	2,120,600	2,699,900	12,342,200
1967 ...	5,665,300	1,017,100	174,600	1,261,300	2,243,100	2,932,200	13,293,600
1968 ...	6,209,300	967,200	195,600	1,401,000	2,456,400	3,155,500	14,385,000
1969 ...	6,758,100	952,600	204,700	1,558,600	2,721,600	3,328,900	15,524,500
1970 ...	7,017,300	978,300	232,900	1,757,100	2,886,400	3,577,400	16,449,400
1971 ...	7,423,300	990,200	256,300	1,944,400	2,881,600	3,680,900	17,177,200
1972 ...	8,007,000	1,000,400	271,200	2,213,200	3,027,400	4,054,900	18,574,100
1973 ...	8,572,000	1,025,600	316,600	2,597,900	3,417,800	4,382,900	20,312,800
1974 ...	8,885,100	991,400	374,500	2,904,300	3,641,700	4,655,300	21,452,300
1975 ...	9,192,100	946,300	426,000	3,176,800	3,763,200	5,031,800	22,536,200
1976 ...	9,593,300	976,200	458,000	3,879,900	4,147,600	5,556,200	24,611,200
1977 ...	10,195,700	931,700	495,000	4,617,500	4,308,900	5,913,200	26,462,000
1978 ...	11,107,700	916,400	532,800	5,161,900	4,520,000	6,375,600	28,614,400

Note: Figures represent benefit payments under original policy contracts, including benefits that are left with the companies for future payment under supplementary contracts, but excluding payments from existing supplementary contracts. See page 47 for supplementary contract payments and page 48 for health insurance benefits paid by life companies.

Source: American Council of Life Insurance.

Payments to Beneficiaries

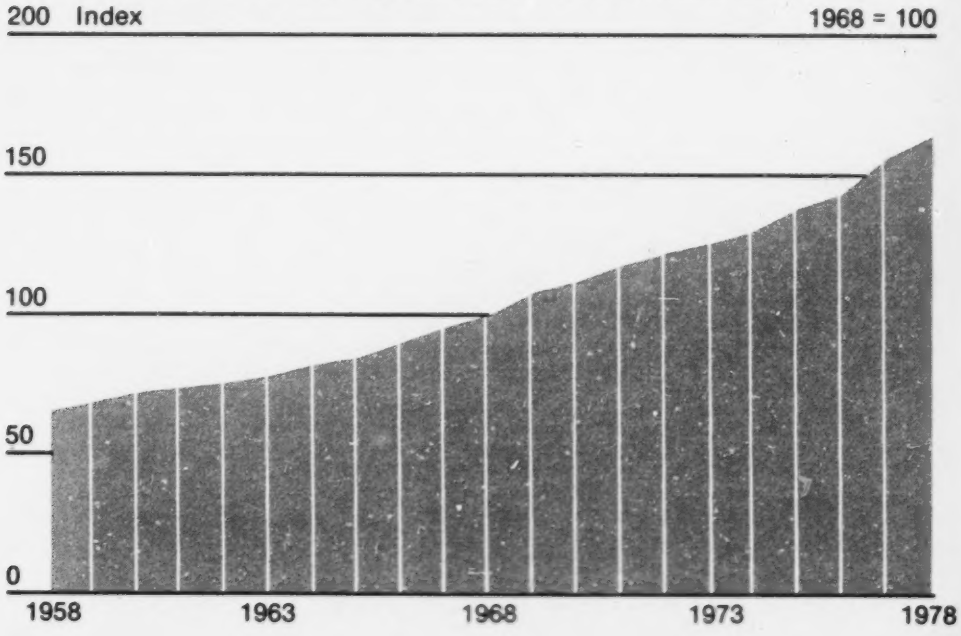
The main reason people buy life insurance is to protect their dependents against financial hardship when the policyholder dies. The extent to which American families depend upon life insurance to provide this economic protection was documented in a survey of widows several years ago, which showed that life insurance of some type was owned by 92% of the husbands. Individually purchased policies bought from legal reserve companies were owned by 7 out of 10 husbands.

Nationally, the growth in the level of life insurance ownership has been the primary reason for the almost uninterrupted rise in life insurance death payments over the years, despite a generally downward trend in death rates among life insurance policyholders.

During 1978, life insurance companies paid $11.1 billion to the beneficiaries of policyholders who died. Of this total, ordinary life insurance policies accounted for nearly one-half of the payments. They provided $5.3 billion during 1978, including $26.3 million from short-term individual credit policies (life insurance on loans for 10 years or less). Payments to beneficiaries from group life insurance totaled $5.3 billion, including almost $544.3 million from short-term group credit insurance certificates. Group life insurance has grown as a proportion of total death payments, and accounted for 48% of all payments to beneficiaries in 1978, compared with 42% in 1968 and 31% in 1958. Payments to beneficiaries from industrial life insurance came to some $487.8 million in 1978.

The largest amount of death payments in 1978 by state was made in New York—$1.0 billion. California ranked second with $989 million.

Relative Growth in Average Size Payments to Life Insurance Beneficiaries in the United States



Payments to Life Insurance Beneficiaries in the United States *(000 Omitted)*

Year	Ordinary		Group		Industrial		Total	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1940 ...	267	$ 729,000	50	$ 104,100	707	$161,900	1,024	$ 995,000
1945 ...	370	897,100	92	171,100	856	211,400	1,318	1,279,600
1950 ...	403	1,090,200	133	282,900	843	216,600	1,379	1,589,700
1955 ...	489	1,379,700	243	591,400	929	269,600	1,661	2,240,700
1960 ...	630	1,904,300	394	1,114,900	1,014	326,900	2,038	3,346,100
1961 ...	649	2,000,700	481	1,246,100	1,010	334,600	2,140	3,581,400
1962 ...	684	2,138,000	535	1,381,800	1,045	358,300	2,264	3,878,100
1963 ...	730	2,310,700	580	1,520,500	1,074	377,400	2,384	4,208,600
1964 ...	763	2,485,100	608	1,663,500	1,057	384,900	2,428	4,533,500
1965 ...	784	2,603,900	636	1,824,000	1,082	403,500	2,502	4,831,400
1966 ...	815	2,750,200	683	2,057,500	1,079	410,500	2,577	5,218,200
1967 ...	832	2,961,500	721	2,287,700	1,060	416,100	2,613	5,665,300
1968 ...	930	3,210,000	746	2,578,100	1,039	421,200	2,715	6,209,300
1969 ...	955	3,424,100	769	2,897,600	1,025	436,400	2,749	6,758,100
1970 ...	960	3,545,600	767	3,026,700	1,014	445,000	2,741	7,017,300
1971 ...	987	3,699,400	761	3,267,400	1,017	456,500	2,765	7,423,300
1972 ...	1,036	4,003,700	810	3,536,700	1,040	466,600	2,886	8,007,000
1973 ...	1,112	4,289,400	884	3,805,900	1,018	476,700	3,014	8,572,000
1974 ...	1,097	4,382,000	938	4,031,200	974	471,900	3,009	8,885,100
1975 ...	1,098	4,473,600	906	4,256,000	922	462,500	2,926	9,192,100
1976 ...	1,110	4,665,400	882	4,452,900	933	475,000	2,925	9,593,300
1977 ...	1,099	4,907,500	860	4,812,900	911	475,300	2,870	10,195,700
1978 ...	1,141	5,338,000	892	5,281,900	928	487,800	2,961	11,107,700

Note: Figures include credit life insurance; in 1978 such payments totaled 17,900 for over $26 million in ordinary and 299,800 for over $544 million in group. Beginning with 1973, credit life insurance is limited to insurance on loans of ten years' or less duration.

Source: American Council of Life Insurance.

Analyses of death payments indicate that members of policyholders' immediate families are the beneficiaries of most of the proceeds from all types of life insurance. Most other payments go to relatives outside the immediate family, with smaller proportions going to estates and trusts, business firms and partners, and to educational, charitable and other institutions.

The most recent study of benefit payments showed that in April 1977, 25% of all death payments from ordinary life insurance were on the lives of policyholders under the age of 50, 57% were on policyholders aged 50 to 74, and 18% were on the lives of persons 75 years old or older.

Most payments to beneficiaries are taken in a lump sum. However, some beneficiaries elect to leave the proceeds with the insurance companies at interest. Another choice of settlement, under both group and ordinary insurance, is to take an income for life or for a specified period.

The 1977 survey from which these conclusions are drawn is the most recent in a series of 11 periodic surveys of payments to beneficiaries under ordinary life insurance policies. A comparison of these studies reveals shifts in some aspects of payments to beneficiaries. For example, the size of payments upon death under ordinary life insurance policies has been growing, reflecting the increasing size of policies in force. When the first survey was taken in 1948, payments to beneficiaries of $10,000 or more were made on only 5.6% of the policies. By the 1977 survey, the proportion more than doubled to 11.7%.

Many life insurance policies provide an additional benefit if the policyholder's death is accidental. During 1978, life insurance companies' payments under accidental death clauses totaled $241 million in addition to the face amounts of the policies.

Payments to Life Insurance Beneficiaries in the United States by State 1978

State	Ordinary		Group		Industrial		Total	
	No.	Amount (000 Omitted)	No.	Amount (000 Omitted)	No.	Amount (000 Omitted)	No.	Amount (000 Omitted)
Alabama	12,300	$ 78,300	14,900	$ 82,200	79,600	$24,800	106,800	$ 185,300
Alaska	500	8,100	1,700	10,400	*	**	2,200	18,500
Arizona	12,600	62,300	8,500	44,400	2,700	1,800	23,800	108,500
Arkansas	7,300	38,700	5,600	33,300	4,800	2,600	17,700	74,600
California	78,600	480,900	87,500	488,500	28,700	19,600	194,800	989,000
Colorado	10,700	63,300	10,600	55,200	4,300	3,400	25,600	121,900
Connecticut	21,300	94,200	13,200	98,400	7,500	4,200	42,000	196,800
Delaware	3,500	16,600	2,400	22,900	3,300	1,800	9,200	41,300
District of Columbia	2,900	20,400	5,100	35,000	5,200	2,500	13,200	57,900
Florida	53,100	274,000	29,300	161,400	62,100	31,700	144,500	467,100
Georgia	24,900	121,600	19,400	116,500	54,000	28,500	98,300	266,600
Hawaii	2,400	20,000	5,600	30,400	100	100	8,100	50,500
Idaho	3,200	17,000	3,500	17,300	300	200	7,000	34,500
Illinois	77,500	330,300	58,600	329,200	48,400	30,000	184,500	689,500
Indiana	28,800	127,000	22,400	137,100	25,400	14,500	76,600	278,600
Iowa	18,500	82,500	9,300	53,400	4,000	2,400	31,800	138,300
Kansas	13,000	61,700	7,700	42,000	4,700	2,800	25,400	106,500
Kentucky	16,600	64,200	10,400	66,300	21,500	10,900	48,500	141,400
Louisiana	13,200	85,100	16,700	89,900	38,400	16,800	68,300	191,800
Maine	5,700	21,600	4,300	18,300	2,300	1,100	12,300	41,000
Maryland	21,000	108,400	17,800	114,700	24,600	12,200	63,400	235,300
Massachusetts	42,400	137,600	19,800	127,700	20,300	9,200	82,500	274,500
Michigan	43,100	190,600	50,200	324,700	26,600	16,600	119,900	531,900
Minnesota	17,600	84,300	14,100	78,900	4,900	2,700	36,600	165,900
Mississippi	6,200	38,900	7,500	38,000	7,000	3,200	20,700	80,100
Missouri	31,800	120,800	20,800	110,900	21,000	11,100	73,600	242,800
Montana	3,200	16,600	2,500	12,000	300	300	6,000	28,900
Nebraska	9,200	45,000	4,100	24,700	2,100	1,000	15,400	70,700
Nevada	1,900	15,700	3,800	23,100	300	200	6,000	39,000
New Hampshire	5,200	22,200	2,900	16,700	2,400	1,200	10,500	40,100
New Jersey	51,400	224,500	33,000	246,700	34,600	20,200	119,000	491,400
New Mexico	3,500	22,300	3,700	22,300	1,100	600	8,300	45,200
New York	119,000	517,500	69,300	478,700	55,500	32,300	243,800	1,028,500
North Carolina	27,700	119,000	20,700	107,700	33,300	17,500	81,700	244,200
North Dakota	3,000	16,000	2,200	11,100	*	**	5,200	27,100
Ohio	63,700	282,300	51,300	307,800	55,100	31,700	170,100	621,800
Oklahoma	11,600	67,800	10,200	58,900	4,500	2,700	26,300	129,400
Oregon	8,800	50,500	8,900	52,500	1,500	1,000	19,200	104,000
Pennsylvania	92,200	312,600	57,600	322,600	81,800	45,400	231,600	680,600
Rhode Island	8,600	28,400	4,000	21,900	4,500	2,000	17,100	52,300
South Carolina	15,100	59,800	10,900	55,700	31,800	15,500	57,800	131,000
South Dakota	3,400	15,700	1,800	9,700	100	**	5,300	25,400
Tennessee	18,100	95,600	18,400	96,500	28,300	13,300	64,800	205,400
Texas	51,300	305,200	50,100	287,700	35,800	19,200	137,200	612,100
Utah	4,300	22,700	4,800	22,700	1,100	700	10,200	46,100
Vermont	2,500	11,100	1,600	8,900	800	400	4,900	20,400
Virginia	20,600	107,400	23,300	134,400	31,000	16,100	74,900	257,900
Washington	12,600	74,600	14,000	76,600	2,300	1,500	28,900	152,700
West Virginia	8,400	36,000	7,900	46,700	7,700	4,400	24,000	87,100
Wisconsin	25,500	109,900	17,000	100,000	9,600	5,800	52,100	215,700
Wyoming	1,600	11,200	1,300	9,300	100	100	3,000	20,600
Total U.S.	1,141,100	$5,338,000	892,200	$5,281,900	927,300	$487,800	2,960,600	$11,107,700

Note: "Ordinary," "Group" and "Total" figures include payments to beneficiaries under credit life insurance.

*Fewer than 50.

**Less than $50,000.

Source: American Council of Life Insurance.

Analysis of Payments to Beneficiaries Under Ordinary Life Insurance in the United States

	Percent of Policies			Percent of Amount		
	May 1969	May 1973	April 1977	May 1969	May 1973	April 1977
SEX OF INSURED						
Male	78.8	77.0	75.4	91.1	89.2	88.6
Female	21.2	23.0	24.6	8.9	10.8	11.4
Total	100.0	100.0	100.0	100.0	100.0	100.0
AGE OF INSURED AT DEATH						
Under 25	4.0	3.4	3.0	4.1	3.4	3.2
25-34	2.0	2.5	2.5	4.2	5.5	6.0
35-44	4.7	4.3	3.7	8.4	9.2	8.7
45-54	12.2	11.8	10.5	18.7	18.2	17.5
55-64	24.4	23.3	21.7	25.5	24.5	25.1
65-74	26.9	27.2	28.0	19.8	21.7	21.4
75 or Older	25.8	27.5	30.6	19.3	17.5	18.1
Total	100.0	100.0	100.0	100.0	100.0	100.0
RELATIONSHIP OF BENEFICIARY TO INSURED						
Husband	8.2	8.6	9.1	3.2	3.9	4.4
Wife	54.1	51.5	52.0	57.9	54.1	58.2
Child or Children	16.1	17.7	18.0	9.5	11.0	10.6
Other Relatives	12.0	11.6	10.9	9.4	7.8	8.3
Estate or Trust	5.9	6.9	6.3	9.7	9.7	9.0
Institution	.6	.6	.6	1.4	1.7	1.4
All Other	3.1	3.1	3.1	8.9	11.8	8.1
Total	100.0	100.0	100.0	100.0	100.0	100.0
DURATION OF POLICY WHEN IT BECAME A CLAIM						
Less Than 1 Year	1.8	1.9	1.5	3.4	4.2	3.8
1 to 5 Years	7.4	7.0	6.2	13.6	14.2	15.2
5 to 10 Years	9.7	9.0	8.5	14.7	15.2	16.2
10 to 20 Years	18.2	20.1	21.1	22.4	23.2	24.1
20 to 30 Years	20.3	17.0	16.6	16.6	15.3	15.5
30 Years or More	42.6	45.0	46.1	29.3	27.9	25.2
Total	100.0	100.0	100.0	100.0	100.0	100.0
SEX OF BENEFICIARY						
Male	19.3	20.3	19.4	12.2	12.1	11.4
Female	68.7	67.3	66.7	66.3	65.1	67.6
Both Sexes Represented	4.4	4.6	6.0	4.6	6.2	6.0
All Other	7.6	7.8	7.9	16.9	16.6	15.0
Total	100.0	100.0	100.0	100.0	100.0	100.0
METHOD OF PAYING PROCEEDS						
Lump Sum	94.5	95.8	97.2	89.7	93.0	93.9
Life Income	1.0	.8	.3	1.6	1.0	.5
Annuity Certain	1.8	1.1	.9	3.5	2.0	1.3
Held at Interest	2.2	1.8	1.4	4.4	3.3	4.0
All Other	.5	.5	.2	.8	.7	.3
Total	100.0	100.0	100.0	100.0	100.0	100.0

Note: Figures exclude individual credit insurance.

Source: American Council of Life Insurance.

Payments to Policyholders and Annuitants

Although the basic purpose of life insurance is to provide protection against the economic risks of death, it also generates important values for the individual policyholder. Benefits paid during the lifetime of the policyholder are often called living benefits.

Payments to policyholders in 1978 totaled $17.5 billion, 61% of total benefit payments in the United States. They consisted of payments from matured endowments, annuities, surrender values and disability provisions. Also included were dividends paid on certain policies and annuities.

Matured endowments paid policyholders over $916 million during the year. Disability payments under life insurance policies totaled $533 million, including $356 million in direct income payments to disabled policyholders and $177 million in waived premiums.

Annuity payments from life insurance companies amounted to nearly $5.2 billion. Cash surrender values paid on policies terminated voluntarily during the year amounted to over $4.5 billion, an increase of 4.9% over the previous year. Some of these policies were surrendered to meet financial emergencies, others in accordance with plans to meet long-term goals.

Dividends to policyholders accounted for 36% of all payments to policyholders and annuitants in 1978. These policy dividends amounted to nearly $6.4 billion. Dividends represent the return to policyholders of part of the payments they have made on policies and annuities sold on a participating basis and reflect the portion that was not needed by the company after payments of claims, additions to reserves and administrative expenses.

Based on an analysis of 1975 dividend payments (the most recent year for which data are available), it is estimated that policyholders used 21% of the policy dividend total to help pay their premiums, left 28% with the life companies at interest, used 32% to buy additional life insurance, and took 19% in cash. The proportion used to purchase additional insurance has been increasing for two decades, whereas the proportion used to pay premiums for existing coverage has declined.

Payments to Policyholders and Annuitants in the United States *(000 Omitted)*

Year	Amount	% of Total Payments	Year	Amount	% of Total Payments
1940	$ 1,669,300	62.7	1970	$ 9,432,100	57.3
1945	1,387,700	52.0	1971	9,753,900	56.8
1950	2,141,000	57.4	1972	10,567,100	56.9
1955	3,142,000	58.4	1973	11,740,800	57.8
1960	4,772,400	58.8	1974	12,567,200	58.6
1965	6,585,200	57.7	1975	13,344,100	59.2
1966	7,124,000	57.7	1976	15,017,900	61.0
1967	7,628,300	57.4	1977	16,266,300	61.5
1968	8,175,700	56.8	1978	17,506,700	61.2
1969	8,766,400	56.5			

Note: Payments to policyholders and annuitants include matured endowments, disability payments, annuity payments, surrender values and policy dividends.

Source: American Council of Life Insurance.

Benefit Payments in the United States by State 1978 *(000 Omitted)*

State	Death Payments	Matured Endowments	Annuity Payments	Disability Payments	Surrender Values	Policy Dividends	Total
Alabama	$ 185,300	$ 8,400	$ 34,700	$ 7,200	$ 56,800	$ 67,000	$ 359,400
Alaska	18,500	500	3,200	300	4,700	7,100	34,400
Arizona	108,500	5,900	63,900	6,200	57,800	68,600	313,900
Arkansas	74,600	5,000	25,000	4,500	25,500	35,100	169,700
California	989,000	70,800	664,700	54,600	462,800	553,200	2,795,100
Colorado	121,900	10,300	39,800	4,700	57,600	83,400	317,700
Connecticut	196,800	19,300	142,200	7,900	98,500	124,300	589,000
Delaware	41,300	2,900	13,200	1,900	13,700	21,100	94,100
District of Columbia	57,900	3,600	17,100	1,600	14,800	21,200	116,200
Florida	467,100	38,600	284,300	25,300	226,800	234,500	1,276,600
Georgia	266,600	13,400	46,900	12,700	103,400	110,400	553,400
Hawaii	50,500	4,100	48,700	2,200	20,400	31,800	157,700
Idaho	34,500	2,700	11,400	1,200	14,600	21,500	85,900
Illinois	689,500	64,100	289,300	26,100	264,200	452,500	1,785,700
Indiana	278,600	24,400	116,800	15,200	102,600	161,500	699,100
Iowa	138,300	15,800	48,500	10,200	57,100	111,500	381,400
Kansas	106,500	10,400	45,700	5,500	47,900	72,600	288,600
Kentucky	141,400	12,400	36,400	6,300	43,700	67,400	307,600
Louisiana	191,800	9,100	55,000	9,000	53,200	81,400	399,500
Maine	41,000	6,700	20,100	3,300	21,400	35,600	128,100
Maryland	235,300	19,400	82,300	7,000	81,500	114,200	539,700
Massachusetts	274,500	27,400	178,500	9,500	146,200	188,300	824,400
Michigan	531,900	36,700	192,600	37,200	176,000	240,600	1,215,000
Minnesota	165,900	16,300	79,900	9,000	67,100	127,100	465,300
Mississippi	80,100	4,400	13,600	3,700	26,400	34,600	162,800
Missouri	242,800	19,400	152,500	10,700	90,000	138,700	654,100
Montana	28,900	3,200	11,100	1,100	12,300	18,800	75,400
Nebraska	70,700	7,500	30,800	2,600	33,800	58,100	203,500
Nevada	39,000	1,800	12,600	900	11,400	14,500	80,200
New Hampshire	40,100	5,200	15,300	1,200	18,700	28,700	109,200
New Jersey	491,400	42,000	230,300	22,800	214,200	334,700	1,335,400
New Mexico	45,200	2,900	20,000	1,900	16,800	22,400	109,200
New York	1,028,500	95,500	564,000	53,100	502,600	739,700	2,983,400
North Carolina	244,200	17,700	62,100	9,600	68,900	109,700	532,200
North Dakota	27,100	2,200	7,400	1,000	11,100	16,100	64,900
Ohio	621,800	60,400	341,200	33,600	254,200	370,300	1,681,500
Oklahoma	129,400	7,500	54,600	5,500	47,100	66,900	311,000
Oregon	104,000	8,800	68,900	4,200	46,600	61,400	293,900
Pennsylvania	680,600	76,300	284,800	33,800	257,000	421,800	1,754,300
Rhode Island	52,300	5,200	22,300	1,900	22,000	36,000	139,700
South Carolina	131,000	7,900	24,500	4,900	41,400	44,500	254,200
South Dakota	25,400	2,900	6,900	1,200	10,200	18,200	64,800
Tennessee	205,400	12,500	65,000	11,000	71,600	99,700	465,200
Texas	612,100	31,300	279,900	22,400	226,100	237,700	1,409,500
Utah	46,100	3,200	19,100	2,200	22,700	27,700	121,000
Vermont	20,400	3,500	11,700	1,000	9,300	15,100	61,000
Virginia	257,900	19,100	79,000	7,500	83,500	113,200	560,200
Washington	152,700	12,600	105,000	9,800	68,500	99,100	447,700
West Virginia	87,100	7,800	39,600	6,300	19,700	39,800	200,300
Wisconsin	215,700	23,000	92,000	9,600	89,000	165,500	594,800
Wyoming	20,600	1,300	7,500	700	6,600	10,800	47,500
Total U.S.	$11,107,700	$916,400	$5,161,900	$532,800	$4,520,000	$6,375,600	$28,614,400

Source: American Council of Life Insurance.

An analysis of benefit payments to holders of matured endowments and of surrender values paid in April 1977 showed that 43% of matured endowment policy proceeds and 79% of the surrender values were paid to insureds under age 65.

Men received 72.4% of the proceeds from matured endowments and 81.4% of the surrender values.

Whereas almost 75% of the proceeds from matured endowments were paid as a lump sum, 97% of surrender values were paid that way.

Analysis of Payments of Matured Endowments and Surrender Values in the United States, April 1977

	Matured Endowments		Surrender Values	
	Percent of Policies	Percent of Amount	Percent of Policies	Percent of Amount
SEX OF INSURED				
Male	63.7	72.4	70.0	81.4
Female	36.3	27.6	30.0	18.6
Total	100.0	100.0	100.0	100.0
AGE OF INSURED AT SETTLEMENT				
Under 15	.4	.2	4.6	1.0
15-24	18.6	8.4	15.5	6.4
25-29	1.2	.6	13.3	6.1
30-34	2.1	.9	12.0	7.5
35-39	2.9	1.3	8.9	7.0
40-44	2.1	1.3	7.4	7.5
45-49	2.1	1.4	6.9	8.3
50-54	3.3	2.9	6.9	10.2
55-59	6.1	6.7	6.8	11.5
60-64	16.2	19.4	6.1	13.4
65-69	34.8	48.2	4.3	10.4
70-74	1.9	2.7	2.8	4.5
75 or Older	8.3	6.0	4.5	6.2
Total	100.0	100.0	100.0	100.0
DURATION OF POLICY WHEN IT BECAME A SETTLEMENT				
Under 1 Year	.2	.1	.6	.3
1 to 5 Years	.5	.4	19.8	10.5
5 to 10 Years	1.6	2.9	21.4	19.1
10 to 20 Years	22.0	25.7	25.5	31.1
20 to 30 Years	34.4	36.8	18.2	22.5
30 to 40 Years	27.4	24.3	7.0	9.0
40 or More Years	13.9	9.8	7.5	7.5
Total	100.0	100.0	100.0	100.0
METHOD OF PAYING PROCEEDS				
Lump Sum	85.7	74.8	99.2	97.0
Life Income	3.1	6.8	.5	1.8
Annuity Certain	.5	1.4	*	.2
Held at Interest	5.5	9.7	.2	.4
All Other	5.2	7.3	.1	.6
Total	100.0	100.0	100.0	100.0

*Less than .05%.

Source: American Council of Life Insurance.

Benefit Payments Under Supplementary Contracts

The role of life insurance in providing security for a family is not necessarily limited to lump sum payment of a policy's proceeds. Settlement options are available from life insurance companies as alternatives to lump sum settlements. Instead of taking the policy's proceeds in cash, many policyholders and beneficiaries have been setting aside millions of dollars in benefits each year under annuity and other plans, or leaving them to draw interest until needed.

During 1978, Americans left $1.0 billion of their life insurance proceeds with life insurance companies under supplementary contracts, compared to $1.1 billion left with the companies the preceding year. Some of the contracts provided a regular income, either for specified periods or for life. With others, the funds were held at interest until called for by the policyholder or beneficiary, with interest being paid to them regularly.

The amount set aside with life companies under supplementary contracts amounted to 7% of all 1978 death payments, matured endowments and surrender value payments under ordinary and group life insurance policies. At the end of the year, the accumulated policy proceeds set aside under supplementary contracts amounted to $9.4 billion, up $330 million from the previous year. Life insurance companies paid out $1.4 billion in income from these accumulated funds during 1978.

Use of Life Insurance Benefits Under Supplementary Contracts

In the United States *(000,000 Omitted)*

Year	Benefits Set Aside	Payments From Accumulated Funds	Year	Benefits Set Aside	Payments From Accumulated Funds
1945	$540	$ 295	1970	$ 790	$1,290
1950	680	520	1971	870	1,220
1955	780	720	1972	870	1,210
1960	760	970	1973	940	1,320
1965	920	1,110	1974	820	1,320
1966	920	1,180	1975	910	1,280
1967	940	1,190	1976	950	1,290
1968	890	1,240	1977	1,080	1,340
1969	840	1,310	1978	1,030	1,440

Source: American Council of Life Insurance.

Health Insurance Benefit Payments

A large share of private health insurance for Americans is provided by life insurance companies.

Health insurance has become an important aspect of the services of U.S. life companies. They paid more than $18.7 billion of the health insurance benefits to Americans in 1978, including $15.6 billion under group contracts and $3.1 billion under individual policies. Total health benefit payments by life companies have increased rapidly in recent years, rising by 82% since 1973. Much of this growth is attributable to the higher insurance benefit levels in the last several years.

Of the 1978 benefit payments, $14.6 billion was for medical expenses, including hospital and surgical expenses; $3.1 billion for loss of income (including accidental death and dismemberment payments); and $1.0 billion under dental policies.

These statistics do not include disability payments under life insurance policies and health insurance payments by casualty and other health insuring companies, Blue Cross/Blue Shield and similar organizations.

Health Insurance Benefit Payments in the United States

Paid by Life Insurance Companies *(000,000 Omitted)*

Year	Group	Individual	Total
1948	$ 225	$ 101	$ 326
1950	375	119	494
1955	1,064	326	1,390
1960	2,102	531	2,633
1961	2,339	578	2,917
1962	2,603	631	3,234
1963	2,876	709	3,585
1964	3,199	788	3,987
1965	3,572	841	4,413
1966	3,927	1,044	4,971
1967	4,306	1,046	5,352
1968	4,947	1,152	6,099
1969	5,746	1,128	6,874
1970	6,840	1,368	8,208
1971	7,721	1,343	9,064
1972	8,225	1,450	9,675
1973	8,820	1,480	10,300
1974	10,500	1,600	12,100
1975	12,410	1,910	14,320
1976	14,090	2,070	16,160
1977	15,230	2,240	17,470
1978	15,636	3,110	18,746

Note: Figures exclude policy dividends.

Sources: American Council of Life Insurance and Health Insurance Association of America.

MAJOR PENSION AND RETIREMENT PROGRAMS

It is estimated that at the end of 1978 some 51 million American workers were participants in major private and public pension and retirement programs other than Social Security.

About 50 million persons were members of private nongovernment plans. This includes both active workers and those presently retired, along with survivors and beneficiaries. There is some duplication, which may be significant but is unknown, as a result of a worker being covered by more than one plan. It is not possible to eliminate duplication in or between the two major categories — those persons under plans with insurance companies and those under private plans administered by trustees, trust companies or banks.

Government-administered plans, including those for Federal civilian employees, state and local government employees and railroad workers, involved over 19 million persons at year-end 1978. This figure also includes some persons counted more than once who are covered by more than one plan, either private or some other government plan.

The Railroad Retirement System is unique in being a private system covering a single industry, but administered by the Federal government. The system is now actually a part of the Social Security program. It covers some 1.6 million persons. Figures for the railroad employees and their beneficiaries are separately maintained and generally are carried as a separate item under government-administered plans.

About 156 million persons had OASDI (Social Security) earnings credits at the end of 1978. Of these, 128 million had been in the Social Security program long enough to have fully insured status as of year-end 1978.

Nearly one-half of all workers in commerce and industry in the United States, and close to three-fourths of all government civilian personnel, are enrolled in retirement plans other than Social Security. Included are those enrolled in profit-sharing plans which provide for periodic benefits at retirement. This compares with fewer than one-fifth of employees in commerce and industry and fewer than one-half of government workers in 1940.

Retirement plans have an important effect on two major areas of American social and economic life:

1. They provide appreciable amounts of income to many retired workers and their dependents. As benefit payments and the number of retired workers receiving benefits have increased, private plans have shown the greatest gains.

In 1978, private pension plans with life insurance companies paid $4.1 billion to 2.3 million persons. Government-administered retirement plans for civilian employees in the United States, including railroad plans, paid a total of $24.4 billion in benefits to 4.9 million retired persons or their beneficiaries. Of this amount, the Federal civilian employee plans paid $10.8 billion, state and local government employee plans paid $9.6 billion, and the Railroad System paid $4.0 billion.

Social Security (OASDI) benefits paid to retired workers including those on disability amounted to $63.7 billion. There were 21.2 million such persons on

Number of Persons Covered by Major Pension and Retirement Programs in the United States *(000 Omitted)*

Year	Private Plans		Government-Administered Plans			
	With Life Insurance Companies	Other Private Plans	Railroad Retirement	Federal Civilian Employees†	State and Local Employees	OASDI‡
1940	695	3,565	1,349	745	1,552	27,622
1945	1,470	5,240	1,846	2,928	2,008	40,488
1950	2,755	7,500	1,851	1,873	2,894	44,477
1955	4,105	12,290	1,876	2,333	3,927	64,161
1960	5,475	17,540	1,654	2,707	5,160	73,845
1961	5,635	18,440	1,662	2,855	5,309	76,295
1962	5,770	19,370	1,643	2,943	5,654	78,953
1963	6,060	19,990	1,664	2,985	5,940	81,035
1964	6,710	20,350	1,650	3,069	6,330	83,400
1965	7,040	21,060	1,661	3,114	6,780	87,267
1966	7,835	21,710	1,666	3,322	7,210	91,768
1967	8,700	22,330	1,641	3,499	7,594	93,607
1968	9,155	22,910	1,625	3,565	8,012	95,862
1969	9,920	24,410	1,620	3,627	8,303	98,012
1970	10,580	25,520	1,633	3,624	8,591	98,935
1971	10,880	26,580	1,578	3,596	9,079	100,392
1972	11,545	27,400	1,575	3,739	9,563	103,976
1973	12,485	28,700	1,582	4,040	10,050	108,268
1974	13,335	29,240	1,592	4,057	10,835	108,854
1975	15,190	N.A.	1,589	4,171	11,230	110,085
1976	16,965	N.A.	1,572	4,210	12,290*	113,724
1977	19,205	N.A.	1,567	4,292	13,124*	117,482
1978	21,615	N.A.	1,580	4,380	13,540*	121,387

Note 1. It is not possible to obtain a total for number of persons covered by pension plans by adding together the figures shown by year. Each series has been derived separately and there are differences in amount of duplication within each series and among the various series and also differences in definition of "coverage" among the series. In addition, private plans with life insurance companies include persons covered by Keogh plans, tax-sheltered annuities and, after 1974, IRA plans, but other private plans do not include persons covered by these plans.

Note 2. These data represent various dates during the year, since the fiscal years of the plans are not necessarily the same. Trends from year to year within each series are not affected. The number of persons covered include survivors or dependents of deceased workers and beneficiaries as well as retired workers. Retirement arrangements for members of the armed forces, and provisions for veterans pensions, are not included. Persons covered by private plans and many persons covered by government-administered plans are also usually covered by Social Security. Data for "Other Private Plans", compiled by the Social Security Administration, exclude plans for the self-employed, those having vested benefits but not presently employed at the firm where benefits were accrued, and also exclude an estimated number who have vested benefits from employment other than from their current employment.

*Estimated.

N.A.—Not Available

†Includes members of the U.S. Civil Service Retirement System, the Tennessee Valley Authority Retirement System, the Foreign Service Retirement System, and the Retirement Plan for Employees of the Federal Reserve System, which includes the Bank Plan and the Board of Governors' plan.

‡Includes persons employed with coverage in effect at year-end, including the self-employed, workers retired for age or disability, dependents of retired workers and survivors of deceased workers who are receiving periodic benefits.

Source: Compiled by the American Council of Life Insurance.

Old-Age, Survivors, and Disability Insurance *(000 Omitted)*

Year	Persons With Earnings Credits Year-End*	Persons Employed With Coverage in Effect Year-End	Employer and Worker Taxes in Year	Persons Fully Insured Year-End†	Persons Receiving Monthly Benefits Year-End	Monthly and Lump Sum Payments in Year
1945	72,400	39,200	$ 1,285,486	33,400	1,288	$ 273,885
1950	82,700	41,000	2,667,077	59,800	3,478	961,094
1955	98,600	56,200	5,713,045	70,500	7,960	4,968,155
1960	109,400	59,000	11,876,220	84,400	14,844	11,244,795
1965	121,300	66,400	17,205,372	94,800	20,867	18,310,676
1966	125,000	69,000	22,585,229	97,200	22,767	20,048,347
1967	127,900	69,900	25,423,792	99,900	23,707	21,406,455
1968	130,800	71,300	27,034,289	102,600	24,562	24,936,435
1969	133,500	72,700	31,545,608	105,400	25,314	26,750,841
1970	135,900	72,700	34,737,059	108,200	26,229	31,863,381
1971	138,200	73,100	38,342,721	110,600	27,291	37,170,726
1972	140,600	75,500	42,888,228	113,200	28,476	41,595,064
1973	142,900	78,100	51,907,100	116,400	29,868	51,459,310
1974	145,200	79,300	58,906,577	119,800	30,854	58,521,344
1975	148,300	78,300	64,259,394	122,800	32,085	66,922,707
1976	150,900	80,700	71,594,624	126,400	33,024	75,664,649
1977	153,200	83,400	78,710,397	128,200	34,083	84,575,800
1978	155,700	86,800	89,884,000	128,400	34,587	92,865,000

Note: Data are revised. Data pertaining to the "Medicare" program are not included in this table.
*Social Security Administration estimate of persons who have ever had covered earnings.
†Beginning in 1965, figures includes transitionally insured persons. Data represent number insured at beginning of following year.
Source: Social Security Administration, U. S. Department of Health, Education and Welfare.

the rolls at year-end, along with 13.3 million dependents and survivors. Just over $29 billion in benefits were paid in 1978 under OASDI to survivors and dependents. The majority of workers receiving benefits from private plans or government-administered plans also received OASDI payments.

2. As a result of the rapid accumulation of pension plan assets and reserves, pension funds have come to be a considerable source of capital for the nation's financial markets. At the end of 1978, the assets of all pension programs in the United States (including OASDI) amounted to over $556 billion.

Federal pension legislation enacted in 1974 was concerned with private plans, and various provisions became effective at different times. Under one provision, individual retirement accounts (IRAs) may be established by workers employed where there is no private retirement plan.

Social Security. Social Security is financed through taxes to provide payments to those who have retired, but it also helps families whose breadwinners die or become disabled.

A total of $89.9 billion in OASDI taxes (not including those for Medicare) was paid in 1978, including $43.2 billion by employers, $42.9 billion by employees and $3.8 billion by self-employed persons. For 1978, payments from OASDI amounted to $92.9 billion. Combined assets of the OASDI trust funds totaled $31.7 billion at year-end 1978.

Private Pension Plans with Life Insurance Companies

The number of Americans covered by pension plans with life insurance companies totaled 21.6 million at year-end 1978, an increase of 2.4 million over last year. This figure includes retired people receiving pension benefits, those who have left employment with vested pension credits, and those still actively at work. There is some duplication due to persons being covered under more than one plan.

Pension reserves behind plans with life companies at year-end totaled $119.1 billion, an increase of 17% over year-end 1977, and more than three times greater than 10 years ago. These reserves include the funds behind pension plan variable annuities, which are based wholly or in part on equity investments.

Group annuities cover the largest number of people under pension plans with life insurance companies. The traditional type is the deferred group annuity, under which a paid-up annuity is purchased each year for each employee, with the sum of these benefits paid as monthly income upon retirement. Deposit administration type plans set up a single fund for all employees in the pension group; money is withdrawn to buy an annuity for an employee when he retires. Immediate participation guarantee plans are a variation of this type, with participation in gains or losses from mortality and investments as they occur, rather than being spread over the life of the contract.

Under terminal funded plans, reserves are usually not set up with the insurance company until the employee is about to retire. Funding for the prospective pension prior to retirement may be handled in a variety of ways.

Individual policy pension trusts, group permanent plans, and profit-sharing plans — often used by smaller firms — were in effect for 2.0 million persons. Individual policy pension trusts usually involve the purchase of a whole life or endowment policy for each person to provide retirement benefits. Group permanent plans use whole life or endowment policies on a group basis keyed to retirement. Profit-sharing plans generally provide for an individual fund for each participant annually.

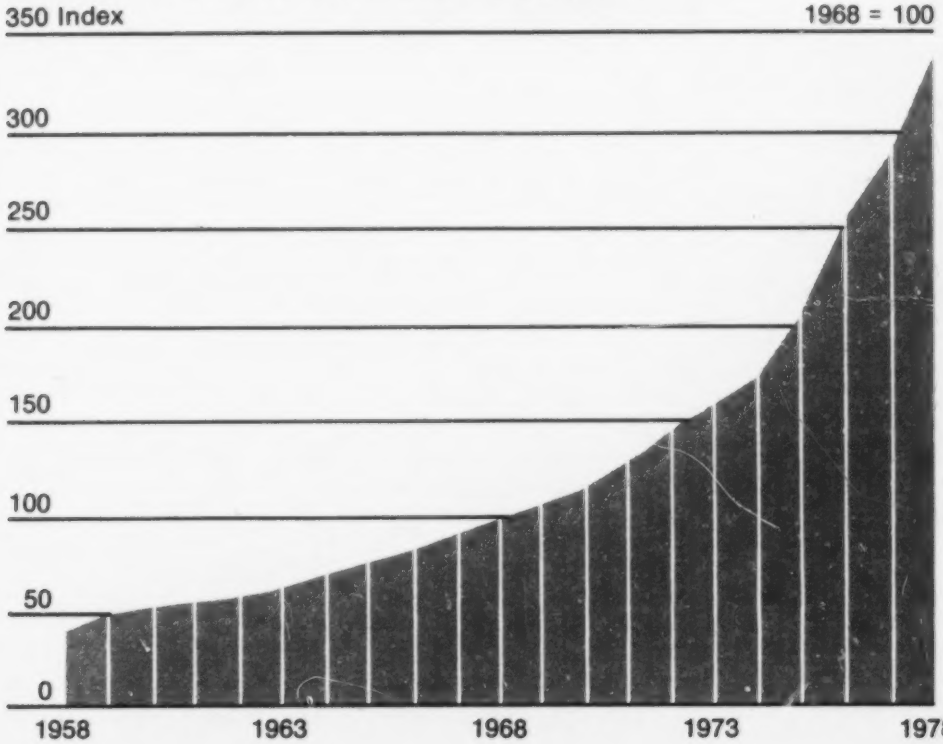
In September 1974, comprehensive Federal pension legislation, the Employee Retirement Income Security Act of 1974 (ERISA), was signed into law. This law relates primarily to private pension and welfare plans, and various sections of the law became effective at different times. One important section which became effective in 1975 allowed individuals to set up their own Individual Retirement Accounts (IRAs) if there was no private pension plan where they work. Contributions and accruals are tax free until retirement, with limits set on the annual amount of contributions and penalties set for early withdrawals. By year-end 1978, 960,000 persons had set up such plans with life insurance companies, and the average reserve per person was about $2,000. The maximum annual contribution allowed was 15% of salary or wage or $1,500, whichever was less. Beginning in 1977, a nonemployed spouse could be covered, with the maximum IRA contribution rising to $1,750. In 1979, the law was amended to provide for employer contributions of 15% of an employee's salary or $7,500, whichever is less, in lieu of the $1,500 employee contribution.

Another provision of ERISA liberalized Keogh plans, increasing the maximum amount that self-employed persons could set aside for themselves and their employees — from $2,500 to $7,500 — so long as this did not exceed 15% of salary. The response to this action can be seen in the increase since 1974 in the number of persons covered under these plans and in the reserves held for them. Tax-sheltered annuities, permitted for use primarily in the academic community and nonprofit organizations, have also shown increases.

In 1978, payments of $4.1 billion were made under life company pension plans to 2.3 million persons. Of this amount, $3.8 billion was paid to 2.1 million persons with group annuity and terminal funded plans, and $330 million to 255,000 persons having individual policy pension trusts, group permanent and other plans. The number of persons receiving payments has more than doubled in the past 10 years, and the total annual payments are nearly four times as large.

Legislation in most states allows life insurance companies to maintain separate investment accounts for a given pension plan or group of plans. More latitude in equity investments is permitted for separate accounts than for life insurance company investments generally. Pension reserves in separate accounts were $19.3 billion at the end of 1978, an increase of 17% over last year. Some of the increase is attributable to increases in the valuation of securities, primarily common stocks, in these accounts.

Relative Growth in Life Insurance Companies' Pension Reserves in the United States



Private Pension Plans in the United States with Life Insurance Companies

	In Force at Year End				Pension Payments during Year		
	Number of Plans	Number of Persons Covered (000 Omitted)	Total Reserves Including Separate Accounts (000,000 Omitted)	Separate Account Reserves (000,000 Omitted)	Payments into Plans in Year (000,000 Omitted)	Number of Persons Receiving Payments (000 Omitted)	Pension Payments (000,000 Omitted)
Type of Plan			**1976**				
Group Annuities† ...	63,820	11,810	$ 68,110	$13,310	$10,365	1,500	$2,315
Terminal Funded Group Plans	3,700	165	2,500	60	540	100	145
Individual Policy Pension Trusts‡ ..	187,530	1,975	5,975	620	1,120	120	155
HR 10 (Keogh) Plans	N.A.	460	1,655	210	440	10	15
Tax-Sheltered Annuities	N.A.	1,105	4,305	1,070	885	20	30
Individual Retirement Accounts	N.A.	665	870	60	550	*	**
Other Plans	N.A.	785	5,575	240	790	70	75
Total	—	16,965	$ 88,990	$15,570	$14,690	1,820	$2,735
Type of Plan			**1977**				
Group Annuities† ...	64,320	13,805	$ 77,595	$14,140	$ 9,850	1,770	$2,620
Terminal Funded Group Plans	3,970	170	2,800	60	455	95	175
Individual Policy Pension Trusts‡ ..	190,040	1,855	6,225	640	1,205	105	145
HR 10 (Keogh) Plans	N.A.	465	1,960	220	425	10	25
Tax-Sheltered Annuities	N.A.	1,235	5,255	1,100	1,060	30	55
Individual Retirement Accounts	N.A.	895	1,345	70	650	*	5
Other Plans	N.A.	780	6,340	230	915	70	80
Total	—	19,205	$101,520	$16,460	$14,560	2,080	$3,105
Type of Plan			**1978**				
Group Annuities† ...	76,700	15,665	$ 91,245	$16,920	$10,960	1,965	$3,550
Terminal Funded Group Plans	4,210	200	3,375	60	500	120	220
Individual Policy Pension Trusts‡ ..	191,740	1,955	6,480	650	1,245	125	145
HR 10 (Keogh) Plans	N.A.	465	2,040	230	380	10	25
Tax-Sheltered Annuities	N.A.	1,400	6,485	1,160	1,300	30	55
Individual Retirement Accounts	N.A.	960	1,870	80	585	5	10
Other Plans	N.A.	970	7,615	240	1,120	85	95
Total	—	21,615	$119,110	$19,340	16,090	2,340	$4,100

Note: Some data are revised from previous editions.

N.A.—Not available.

*Fewer than 2,500.

**Less than $2,500,000.

†Includes Immediate Participation Guarantee and Deposit Administration plans.

‡Includes Group Permanent plans and profit-sharing plans.

Source: American Council of Life Insurance.

LAPSES AND SURRENDERS

The overall voluntary termination rate of ordinary life insurance policies in 1978 was 6.6%. The rate for older policies is significantly lower than for newer ones. The rate for policies in force less than two years was 19.6%; for those in force for two years or longer it was 4.6%.

Policyholders have different reasons for terminating their policies. Sometimes they use cash values to meet a current financial emergency and sometimes for purposes planned years earlier. A total of $4.1 billion in cash values was paid to owners of ordinary life insurance policies surrendered during 1978. This figure does not include cash values used to obtain paid-up life insurance for reduced amount or for extended coverage for a specified period of time.

Rates of voluntary policy termination by policyholders vary considerably among life insurance companies. Each company's rate depends upon many factors, including the types of policies written and the ratio of new policies to older ones in force with the company.

The life insurance business strongly seeks to minimize the lapsing of policies. For example, the training of agents focuses on realistic identification of the life insurance needs of clients and the careful analysis of the use of family income for protection purposes. Since there is a higher termination rate of policies on which loans are outstanding, companies urge that loans be used only in genuine financial emergencies, and that they be promptly repaid.

Most companies offer policyholders time after delivery of the policy in which to consider whether to keep the policy. These companies will refund the premium in full if, within the prescribed time, the policyholder decides not to keep the policy.

Voluntary Termination Rate

Ordinary Policies in Force in the United States

Year	Policies In Force Less Than 2 Years	Policies In Force 2 Years or More	All Policies In Force	Year	Policies In Force Less Than 2 Years	Policies In Force 2 Years or More	All Policies In Force
1951 ..	9.4%	2.2%	3.2%	1971 ..	19.0%	3.9%	5.8%
1955 ..	11.4	2.5	3.8	1972 ..	19.3	3.9	6.0
1960 ..	14.5	3.7	5.2	1973 ..	18.8	4.3	6.3
1965 ..	15.4	3.5	5.1	1974 ..	19.5	4.5	6.5
1966 ..	16.2	3.5	5.2	1975 ..	20.9	4.5	6.7
1967 ..	16.5	3.6	5.2	1976 ..	19.7	4.6	6.6
1968 ..	18.0	3.7	5.5	1977 ..	19.5	4.7	6.6
1969 ..	18.3	3.7	5.6	1978 ..	19.6	4.6	6.6
1970 ..	19.3	3.9	5.9				

Note: The rate is the ratio of the number of policies lapsed or surrendered (for cash, extended term or reduced paid-up insurance), less reinstatements, to the mean number of policies in force.

Source: American Council of Life Insurance.

INCOME OF LIFE INSURANCE COMPANIES

Life insurance companies receive funds from two main sources: premiums paid by policyholders and earnings on investments.

There is a close relationship between these income elements. Part of each premium payment becomes available for investment in the nation's economy. In calculating premiums, the anticipated investment earnings are taken into account, thereby reducing the price of life insurance to policyholders.

In 1978, total income of all U.S. life companies was $108.2 billion; 73% was from premium receipts and 23% from investment earnings. The remaining 4% came from other sources, mainly considerations (payments) for supplementary contracts.

Premium receipts and annuity considerations totaled $78.8 billion. Americans spent the equivalent of 3.65% of total disposable personal income in 1978 for life insurance and annuities, compared with 3.72% during 1977.

Income of U.S. Life Insurance Companies

(000,000 Omitted)

Year	Premium Receipts: Life Insurance Premiums	Premium Receipts: Annuity Considerations	Premium Receipts: Health Insurance Premiums*	Premium Receipts: Total Premium Receipts	Investment Income**	Other Income†	Total Income
1911	$ 626	$ 4	—	$ 630	$ 182	$ 24	$ 836
1915	776	6	—	782	241	20	1,043
1920	1,374	7	—	1,381	341	42	1,764
1925	2,340	38	—	2,378	551	89	3,018
1930	3,416	101	—	3,517	891	186	4,594
1935	3,182	491	—	3,673	1,013	386	5,072
1940	3,501	386	—	3,887	1,231	540	5,658
1945	4,589	570	—	5,159	1,445	1,070	7,674
1950	6,249	939	$ 1,001	8,189	2,075	1,073	11,337
1955	8,903	1,288	2,355	12,546	2,801	1,197	16,544
1960	11,998	1,341	4,026	17,365	4,304	1,338	23,007
1965	16,083	2,260	6,261	24,604	6,778	1,785	33,167
1970	21,679	3,721	11,367	36,767	10,144	2,143	49,054
1971	22,935	4,910	12,897	40,742	11,031	2,429	54,202
1972	24,678	5,503	14,318	44,499	12,127	2,222	58,848
1973	26,373	6,771	15,524	48,668	13,670	2,415	64,753
1974	27,750	7,737	17,123	52,610	15,144	2,256	70,010
1975	29,336	10,165	19,074	58,575	16,488	2,959	78,022
1976	31,358	13,962	21,059	66,379	18,758	3,421	88,558
1977	33,765	14,974	23,580	72,319	21,713	3,953	97,985
1978	36,592	16,339	25,829	78,760	25,294	4,152	108,206

Note: Considerations for supplementary contracts with and without life contingencies are included under "Other Income." Prior to 1947, the business of health departments was not included.

*Includes some premiums for workers' compensation and auto and other liability insurance.

**Beginning with 1951, investment income is net of investment expenses.

†Beginning in 1975, other income includes commissions and expense allowance on reinsurance ceded. In 1975, this amounted to $382 million.

Sources: Spectator Year Book *and American Council of Life Insurance.*

Almost half of all premium receipts in 1978 was accounted for by life insurance. This proportion has declined in relation to the income received from annuities and health insurance. In 1960, the proportion was 69%; by 1970, the proportion had dropped to 59%; and in 1978, the proportion declined to 46%.

Premium Receipts

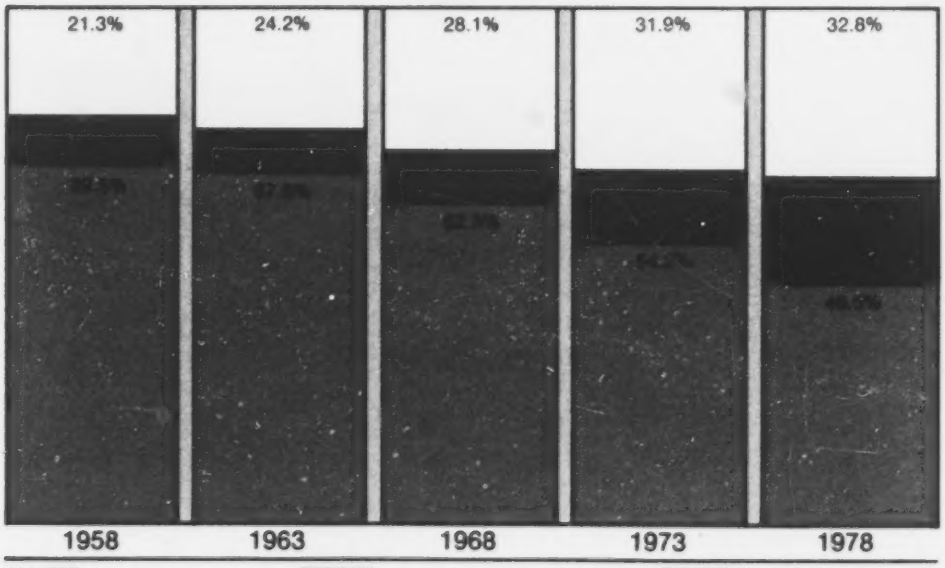
U.S. Life Insurance Companies *(000,000 Omitted)*

	1974	1975	1976	1977	1978
LIFE INSURANCE PREMIUMS					
Ordinary	$19,823	$21,032	$22,492	$24,161	$26,341
Group	5,370	5,792	6,218	6,855	7,285
Industrial	1,311	1,303	1,355	1,299	1,280
Credit	1,246	1,209	1,293	1,450	1,686
Total Life Insurance Premiums	27,750	29,336	31,358	33,765	36,592
ANNUITY CONSIDERATIONS					
Individual	1,924	2,664	3,713	4,552	4,454
Group	5,813	7,501	10,249	10,422	11,885
Total Annuity Considerations	7,737	10,165	13,962	14,974	16,339
HEALTH INSURANCE PREMIUMS					
Individual	4,310	4,497	4,637	5,009	5,505
Group	12,224	13,948	15,646	17,741	19,382
Credit	589	629	776	830	942
Total Health Insurance Premiums	17,123	19,074	21,059	23,580	25,829
Total Premium Receipts	$52,610	$58,575	$66,379	$72,319	$78,760

Note: Credit life insurance is limited to insurance on loans of ten years' or less duration.

Source: American Council of Life Insurance.

Distribution of Premium Receipts of U.S. Life Insurance Companies



*Includes some premiums for Workers' Compensation and auto and other liability insurance.

Ratio of Premiums and Annuity Considerations to Disposable Personal Income

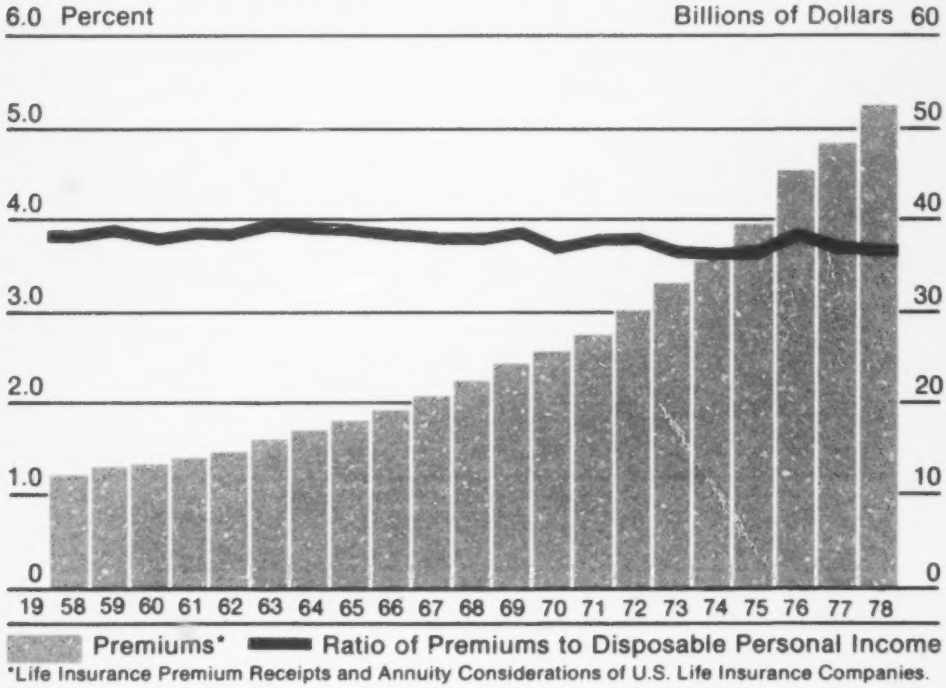
Year	Ordinary Life Premiums	Total Life Insurance Premiums	Annuity Considerations	Total
1929	N.A.	N.A.	N.A.	4.02%
1930	N.A.	N.A.	N.A.	4.72
1935	N.A.	N.A.	N.A.	6.28
1940	3.34%	4.62%	.51%	5.13
1945	2.17	3.05	.38	3.43
1950	2.18	3.04	.46	3.50
1955	2.28	3.26	.47	3.73
1960	2.48	3.43	.38	3.82
1965	2.48	3.41	.48	3.88
1966	2.46	3.36	.47	3.84
1967	2.43	3.32	.49	3.81
1968	2.39	3.29	.51	3.80
1969	2.35	3.25	.60	3.85
1970	2.28	3.16	.54	3.70
1971	2.23	3.09	.66	3.75
1972	2.21	3.08	.69	3.77
1973	2.08	2.92	.75	3.68
1974	2.02	2.82	.79	3.61
1975	1.95	2.71	.94	3.65
1976	1.90	2.64	1.18	3.82
1977	1.85	2.58	1.14	3.72
1978	1.81	2.52	1.13	3.65

Note: Data are revised. Credit life premiums were included in the "Ordinary Life" category in years prior to 1973. Beginning with 1973, credit life insurance premiums on loans of ten years' or less duration are excluded. The sum of "Total Life Insurance Premiums" and "Annuity Considerations" may not add to "Total" in some cases, due to rounding.

N.A.—Not available.

Sources: U.S. Department of Commerce, Spectator Year Book *and American Council of Life Insurance.*

Premiums and Disposable Personal Income



*Life Insurance Premium Receipts and Annuity Considerations of U.S. Life Insurance Companies.

Ordinary policy premiums accounted for $26.3 billion, or 72% of the life insurance premiums in 1978. Most ordinary premiums, 80%, were renewals. Group insurance premiums amounted to $7.3 billion, or 20%, while industrial premiums accounted for $1.3 billion, or 3%. Credit life premiums totaled $1.7 billion, or 5%.

Annuity considerations totaled $16.3 billion, or 21% of total premium income in 1978. These payments have grown rapidly as a proportion of total premium receipts, especially since enactment of the Federal pension legislation in 1974. In 1960, the proportion was 8%, and by 1970 it grew to 10%. Significant increases in 1975 and 1976 were due primarily to large inflows of funds for group annuity contracts and for new issues of individual annuities. The amount of first-year considerations for individual annuities in 1977 was $879 million. Total considerations were equal to 1.13% of disposable personal income in 1978, compared with 1.14% in 1977.

The growth of health insurance sold by life companies is reflected in its increasing percentage of the premium total. Health insurance premiums accounted for $25.8 billion, or 33% of total premiums in 1978, compared with 31% in 1970 and 23% in 1960.

Ordinary Life Insurance Premium Receipts

U.S. Life Insurance Companies *(000,000 Omitted)*

	First Year	Single	Renewal	Total
1969	$1,758	$ 784	$12,291	$14,833
1970	1,869	843	12,951	15,663
1971	1,985	955	13,627	16,567
1972	2,196	1,087	14,418	17,701
1973	2,380	1,033	15,345	18,758
1974	2,575	1,136	16,112	19,823
1975	2,705	1,244	17,083	21,032
1976	3,034	1,359	18,099	22,492
1977	3,314	1,482	19,365	24,161
1978	3,668	1,730	20,943	26,341

Note: Credit life premiums were included in data for 1969-1972. Beginning with 1973, credit life insurance premiums on loans of ten years' or less duration are excluded.

Source: American Council of Life Insurance. Premium information on a slightly different basis was collected for the years 1957-1968 by the Life Insurance Marketing and Research Association.

Premium Receipts of U.S. Life Insurance Companies by State *(000,000 Omitted)*

State	1975		1976		1977	
	Life	Health	Life	Health	Life	Health
Alabama	$ 463	$ 280	$ 503	$ 319	$ 547	$ 342
Alaska	34	37	41	40	47	49
Arizona	297	278	322	284	345	317
Arkansas	178	135	194	152	211	166
California	2,377	2,044	2,539	2,300	2,728	2,648
Colorado	333	208	363	232	394	272
Connecticut	461	315	500	351	526	391
Delaware	100	36	104	43	110	55
D.C.	120	130	125	148	136	142
Florida	1,032	782	1,090	854	1,179	1,008
Georgia	686	544	731	582	785	657
Hawaii	129	36	139	36	150	40
Idaho	86	59	96	71	106	80
Illinois	1,665	1,305	1,776	1,460	1,886	1,605
Indiana	708	561	753	623	807	658
Iowa	388	241	425	264	464	296
Kansas	298	172	322	188	351	205
Kentucky	342	215	374	236	406	251
Louisiana	471	323	519	372	553	396
Maine	111	72	118	79	125	84
Maryland	541	263	580	293	624	332
Massachusetts	716	448	740	510	778	541
Michigan	1,077	810	1,130	889	1,225	1,057
Minnesota	450	387	482	449	526	502
Mississippi	204	170	225	195	244	237
Missouri	613	495	652	568	696	582
Montana	80	61	86	67	94	74
Nebraska	221	148	238	164	251	174
Nevada	66	73	75	89	85	109
New Hampshire	97	48	103	56	114	62
New Jersey	1,135	533	1,204	619	1,258	693
New Mexico	113	86	125	102	139	119
New York	2,514	1,377	2,607	1,519	2,704	1,719
North Carolina	653	432	699	480	753	532
North Dakota	70	39	77	42	87	44
Ohio	1,482	977	1,565	1,088	1,672	1,234
Oklahoma	308	232	327	246	354	274
Oregon	236	185	256	213	281	245
Pennsylvania	1,610	824	1,716	942	1,762	965
Rhode Island	131	42	135	38	152	42
South Carolina	326	213	365	244	391	272
South Dakota	76	58	84	67	91	76
Tennessee	521	387	563	436	609	482
Texas	1,465	1,200	1,613	1,377	1,758	1,575
Utah	126	75	134	91	153	103
Vermont	54	31	57	35	61	41
Virginia	642	350	693	385	748	430
Washington	366	258	397	296	433	309
West Virginia	179	137	195	156	216	169
Wisconsin	549	372	576	421	614	472
Wyoming	42	27	49	34	55	39
TOTAL U.S.	$26,942	$18,511	$28,782	$20,745	$30,784	$23,167

Source: American Council of Life Insurance.

Earning Rate

The net rate of investment income on invested assets of life insurance companies rose to 7.31% in 1978 from 6.89% in 1977. This rate is an annual average based on aggregates of all U.S. life insurance companies after investment expenses but before Federal income taxes.

Investment income is primarily interest income on bonds owned and loans made, dividends on stock and rent on real estate owned. Capital gains and losses are treated as direct changes in surplus and are not considered as investment income.

Life insurance companies' rates of investment income have followed the general pattern of higher interest rates since 1947. Companies have also been putting a growing share of their assets into investments that provide higher yields.

Many life companies maintain separate investment accounts for various life insurance and retirement plans. At year-end 1978, 56% of the investments in these separate accounts were holdings of common stocks. The 1978 earning rate includes investment earnings of separate accounts but not their capital gains and losses. (Capital gains and losses are included in the calculation of the separate account earning rate in the statutory annual statement, but are excluded here for consistency with the general account rate.) If separate accounts were excluded, the rate would be 7.39%, indicating the lower income on equity-type investments. Life companies do not hold these investments primarily for current income but for capital appreciation.

Net Rate of Investment Income

U.S. Life Insurance Companies

Year	Rate	Year	Rate
1915	4.77%	1940	3.45%
1920	4.83	1945	3.11
1925	5.11	1950	3.13
1930	5.05	1955	3.51
1935	3.70	1960	4.11

	Rate			Rate	
	Including Separate Accounts	Excluding Separate Accounts		Including Separate Accounts	Excluding Separate Accounts
1965	4.61%	4.61%	1972	5.56%	5.69%
1966	4.73	4.73	1973	5.88	6.00
1967	4.82	4.83	1974	6.25	5.31
1968	4.95	4.97	1975	6.36	6.44
1969	5.12	5.15	1976	6.55	6.68
1970	5.30	5.34	1977	6.89	7.00
1971	5.44	5.52	1978	7.31	7.39

Note: The net rate of investment income is calculated using industry aggregates, and represents the ratio of (1) net investment income to (2) mean invested assets (including cash) less half the net investment income. Before 1940, some Federal income taxes were deducted from net investment income; beginning with 1940, the rates are calculated before deducting any Federal income taxes.
Source: American Council of Life Insurance.

THE LIFE INSURANCE DOLLAR

The financial transactions of life insurance companies may be best summarized if expressed in terms of a single dollar of income received and expended. This composite dollar represents the total for the business as a whole, and the pattern will be different for individual companies or groups of companies, depending on types of business written, age and type of company and many other factors.

The major proportion of each composite dollar of income received by U.S. life insurance companies is accounted for by premiums and annuity considerations. In 1978, premiums paid for life and health insurance policies and payments for annuities accounted for 75.5 cents. The remainder of the composite dollar consisted chiefly of earnings on investments and accounted for 24.5 cents.

These proportions vary significantly by each line of business. The major share for all lines comes from premiums, but for the life insurance and annuity lines a large proportion comes from investment earnings. Data for 1975 (the latest year for which information is available) show that investment earnings accounted for 27.2 cents of each life insurance income dollar and 31.4 cents of each annuity income dollar.

The proportions of premium income and investment earnings vary significantly by type of life insurance company. For mutual companies the

Life Insurance Company Dollar 1978

U.S. Life Insurance Companies

INCOME	
Premiums	75.5¢
Net Investment Earnings and Other Income	24.5
	100.0¢
HOW USED	
Benefit Payments and Additions to Funds for Policyholders and Beneficiaries	
Benefit Payments in Year	47.3¢
Additions to Policy Reserve Funds	28.6
Additions to Special Reserves and Surplus Funds	2.9
	78.8
Operating Expenses	
Commissions to Agents	6.4
Home and Field Office Expenses	9.3
	15.7
Taxes	4.4
Dividends to Stockholders of Stock Life Insurance Companies	1.1*
	100.0¢

Note: Certain offsetting items such as considerations for supplementary contracts are excluded, so that the total used ($103,521 million) differs from that shown on page 56. Direct investment taxes (such as real estate) are excluded from taxes and are deducted, with other investment expenses, from investment income. Federal income taxes, however, are included in taxes.

*For stock companies only this ratio would be 2.3¢ per dollar.

Source: American Council of Life Insurance.

proportion of the company dollar represented by insurance premiums and annuity considerations was 71.0 cents in 1978, and investment earnings and other income accounted for 29.0 cents. For stock companies, insurance premiums and payments for annuities accounted for 80.4 cents of the combined company dollar, while the balance, chiefly investment earnings, represented 19.6 cents.

Portions of premium income and investment earnings also differ by size of company. Larger companies generally receive a greater share of their income dollar from investment income.

In 1978, mutual life insurance companies with $500 million or more in assets as of 1970, received 70.5 cents of their income dollar from premiums and 29.5 cents from investment earnings and other income; whereas mutual companies with under $500 million in assets as of 1970, received 77.9 cents from premiums and 22.1 cents from investments and other income.

For stock life insurance companies, the proportion of the 1978 income dollar represented by premiums and annuity considerations was 76.8 cents for companies with assets of $500 million or more as of 1970 and 83.7 cents for companies with under $500 million in assets as of 1970.

Of the 1978 industry outgo dollar, 78.8 cents was assigned to meet current or future obligations. That included 47.3 cents paid in benefits to policyholders or to beneficiaries during the year, 28.6 cents added to policy reserves for future benefit payments and 2.9 cents added to special reserves and surplus funds. Reflecting in part the dividend payments under participating policies, current benefits were 50.0 cents of the mutual company outgo dollar in 1978, compared with 44.2 cents of the stock company dollar.

The outgo dollar also varies by major line of business. For the life insurance line, one-half of the income in 1975 (the latest year for which data are available) was needed for benefits and one-fifth was added to reserves. The annuity line set aside two-thirds for reserves, while the health line needed three-fourths of income to meet current obligations and pay policy dividends.

Operating expenses based on industry aggregates declined for the fourth year to 15.7 cents in 1978. This is slightly lower than the proportion which had remained about the same for several decades, and reflects the expansion of the annuity field in the last three years. Annuities have lower sales expenses. Included in the 1978 figure were 9.3 cents for expenses of home and field offices and 6.4 cents for commissions to agents.

The expense share, as measured by this analysis, applies to the entire life insurance business, and not to any single company. The proportions vary widely among companies, depending on such factors as the types of coverage offered by a given company and its ratio of recently issued insurance to its total insurance in force. Expenses are relatively higher for new policies because the initial costs of issuing and selling the policy are higher than those of maintaining older policies.

A total of 4.4 cents was used for taxes (not including taxes directly connected with investment, such as real estate taxes). More than half of this total was set aside for Federal income taxes. On an overall dollar basis, stock dividends to shareholders amounted to 1.1 cents. For mutual life insurance companies, of course, this amounted to zero; for stock life companies, dividends to shareholders amounted to 2.3 cents of the outgo dollar.

TAXES

U.S. life insurance companies incurred Federal, state and local government taxes, licenses and fees of $5.1 billion on their 1978 operations. This was $647 million more than in the previous year. Most of the taxes incurred on life company operations in 1978 were also paid in that year, but some were carried over to 1979. The increase in tax liability of the life insurance business over the years is largely a reflection of the growth of the industry.

Federal income taxes, based on total income from investment earnings and general operations, were the major portion of total taxes incurred in 1978. Federal income taxes increased sharply under the Life Insurance Company Income Tax Act of 1959, which first applied to the year 1958. Federal income taxes incurred on 1957 operations were $294 million, and on 1958 operations, $455 million. By 1978 Federal income taxes had grown to $3.0 billion, some 59% of total taxes.

The second largest item in the life companies' tax bill consisted of state premium taxes, which amounted to $1.1 billion for 1978, or 21% of all tax items for the year.

The life insurance companies' share of Social Security taxes rose to $389 million in 1978, and accounted for 8% of the total. Real estate taxes amounted to $336 million, or 7%. Other taxes, licenses and fees accounted for 5% of the total, amounting to $282 million.

Taxes, Licenses and Fees of U.S. Life Insurance Companies *(000,000 Omitted)*

Year	State Taxes on Premiums	Federal Social Security Taxes	Federal Income Taxes	Real Estate Taxes	Other Taxes, Licenses and Fees	Total
1947	$ 100	$ 7	$ 23	$ 17	$ 20	$ 167
1950	123	12	20	27	23	205
1955	189	26	189	39	29	472
1960	270	53	479	68	50	920
1965	396	77	741	98	63	1,375
1966	424	106	883	103	65	1,581
1967	438	117	1,040	110	66	1,771
1968	464	131	1,174	121	70	1,960
1969	541	148	1,237	132	75	2,133
1970	568	159	1,232	149	96	2,204
1971	660	178	1,451	172	121	2,582
1972	708	198	1,544	198	142	2,790
1973	766	249	1,803	207	157	3,182
1974	785	280	1,915	224	174	3,378
1975	840	299	1,910	282	188	3,519
1976	914	321	2,209	291	219	3,954
1977	1,000	345	2,526	312	248	4,431
1978	1,077	389	2,994	336	282	5,078

Note: Before 1972, taxes, licenses and fees shown are on a paid basis. Beginning with 1972, these items are on an incurred basis.

Source: American Council of Life Insurance.

RESERVES AND OTHER OBLIGATIONS

Policy reserves of U.S. life insurance companies totaled $318.5 billion at the end of 1978. These reserves represent the funds set aside to meet the companies' future obligations to policyholders and their beneficiaries.

Each company is required by state law to maintain its policy reserves at a level that will assure payment of all policy obligations as they fall due. The amount is calculated on an actuarial basis, taking into account the funds forthcoming from future premium payments, assumed future interest earnings and expected mortality experience.

Total reserves of the life companies at the end of 1978 included over $177.7 billion for life insurance policies, $9.6 billion for health insurance policies and $131.1 billion for annuities and supplementary contracts involving both lifetime payments and payments that are for specified periods or in designated amounts.

Life insurance policy reserves consisted of $156.9 billion for ordinary life policies, over $7.2 billion for group policies, $12.6 billion for industrial life policies, and $1.0 billion for credit life policies.

Policy Reserves

U.S. Life Insurance Companies *(000,000 Omitted)*

Year	Amount	Year	Amount	Year	Amount	Year	Amount
1890 ..	$ 670	1910 ..	$3,226	1925 ..	$ 9,927	1940 ...	$27,238
1900 ..	1,443	1915 ..	4,399	1930 ..	16,231	1945 ...	38,667
1905 ..	2,295	1920 ..	6,338	1935 ..	20,404	1950 ...	54,946

			Annuities				
Year	Life Insurance	Health Insurance	Individual	Group	Supplementary Contracts With Life Contingencies	Supplementary Contracts Without Life Contingencies	Total
1955	$ 54,588	$ 575	*	$13,216	$1,895	$5,085	$ 75,359
1960	70,791	865	$ 4,327	14,952	2,674	4,864	98,473
1965	90,795	1,432	5,028	22,187	3,281	4,897	127,620
1966	95,316	1,836	5,340	24,029	3,381	4,809	134,711
1967	100,103	2,144	5,746	26,193	3,483	4,749	142,418
1968	104,910	2,472	6,264	28,434	3,610	4,618	150,308
1969	110,041	2,879	6,348	31,213	3,665	4,404	158,550
1970	115,442	3,474	6,951	34,009	3,726	4,177	167,779
1971	121,585	3,892	7,655	38,476	3,905	4,136	179,649
1972	128,257	4,347	8,560	43,503	3,937	4,155	192,759
1973	135,292	4,910	9,482	46,607	4,066	4,164	204,521
1974	142,273	5,607	10,511	49,861	4,176	4,079	216,507
1975	150,063	6,293	12,442	59,907	4,280	4,131	237,116
1976	158,359	6,962	15,347	73,393	4,410	4,304	262,775
1977	167,281	8,329	18,932	84,285	4,563	4,542	287,932
1978	177,743	9,596	23,057	98,673	4,751	4,663	318,483

Note: Before 1947, the business of health departments of life companies was not included in this series. Data for 1970 through 1977 are revised.

*Included with "Group Annuities."

Sources: Spectator Year Book *and American Council of Life Insurance.*

Annuity reserves consisted of $23.1 billion for individual annuities, $98.7 billion for group annuities and $4.8 billion for life annuities under supplementary contracts with life contingencies.

The composition of life company policy reserves has been changing over the years, reflecting a shift in the basic types of business done by life companies. Life insurance policy reserves still account for the major proportion, but it is declining in relation to the proportion of reserves set aside for annuity contracts. In 1960, life insurance reserves were 72% of the total. By 1970, the proportion was 69%, and, by 1978, it had dropped to 56%. In the same period, annuity reserves increased from 22% in 1960 to 27% in 1970 and to 40% at the end of 1978. Most of the increase in annuity reserves is a result of the growth of pension plans administered by life insurance companies.

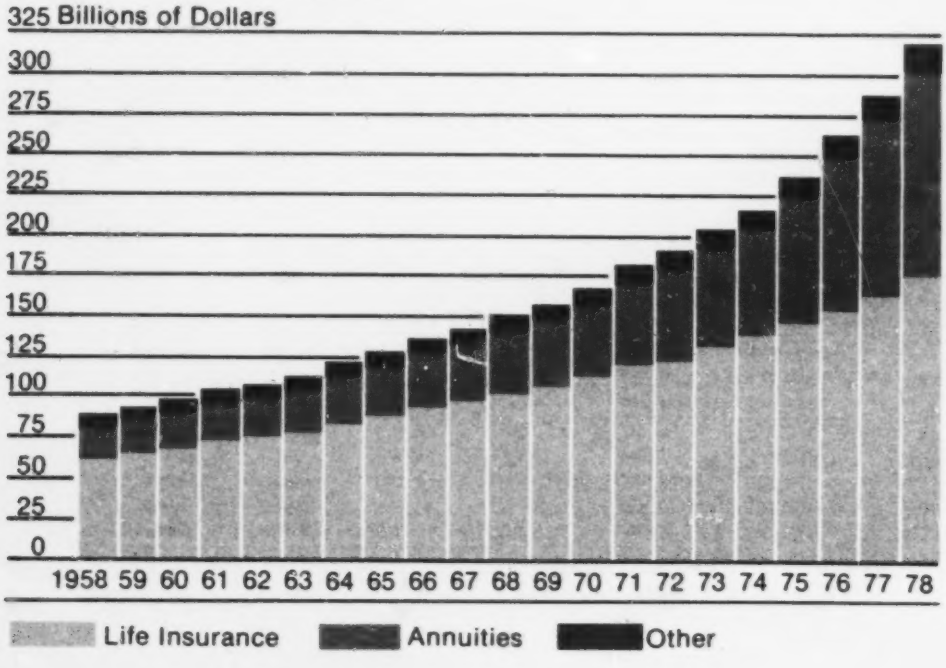
In addition to policy reserves, other funds of U.S. life insurance companies at the end of 1978 included $11.3 billion in accumulated policy dividends left with the life insurance companies at interest; some $6.4 billion set aside for the following year's policy dividend payments; and $27.5 billion for other obligations such as incurred expenses, mandatory reserves for fluctuations in security values and insurance premiums paid in advance.

Included in reserves and obligations at the end of 1978 was $20.3 billion in separate investment accounts, used for certain types of pension plans and for variable annuities.

Surplus funds amounted to nearly $24.3 billion at the end of 1978. These funds provided extra safeguards for such contingencies as an unexpected rise in death rates among policyholders, for unusual changes in the value of securities, or as general protection for policy obligations. The amount of

Growth of Policy Reserves

U.S. Life Insurance Companies



surplus retained by a life company depends on several factors including the size of the company, kinds of insurance written, mortality experience, general business conditions and government regulation.

Total capital of life insurance companies owned by stockholders was nearly $2.0 billion at the end of 1978. This amount represents the total par value of the shares of the companies' capital stock.

Stock life companies accounted for $116.6 billion, or 37% of the total reserves of all U.S. life insurance companies in 1978. Reserves of mutual life companies amounted to $201.9 billion, or 63% of the total.

Life Insurance Policy Reserves by Type

U.S. Life Insurance Companies *(000,000 Omitted)*

Year	Ordinary	Group	Industrial	Credit	Total
1956	$ 47,429	$ 787	$ 9,446	—	$ 57,662
1960	58,897	1,267	10,627	—	70,791
1965	76,865	2,011	11,919	—	90,795
1966	81,018	2,166	12,132	—	95,316
1967	85,810	2,362	11,931	—	100,103
1968	90,284	2,594	12,032	—	104,910
1969	95,032	2,836	12,173	—	110,041
1970	100,076	3,093	12,273	—	115,442
1971	105,782	3,429	12,374	—	121,585
1972	111,931	3,957	12,369	—	128,257
1973	118,332	3,985	12,374	$601	135,292
1974	124,883	4,453	12,284	653	142,273
1975	132,032	4,995	12,336	700	150,063
1976	139,356	5,648	12,635	720	158,359
1977	147,414	6,415	12,624	828	167,281
1978	156,862	7,219	12,627	1,035	177,743

Note: "Credit" life insurance is limited to insurance on loans of ten years' or less duration. Prior to 1973, all credit insurance was included in the "Ordinary" and "Group" categories.

Source: American Council of Life Insurance.

Obligations and Surplus Funds

U.S. Life Insurance Companies *(000,000 Omitted)*

Year	Policy Reserves	Policy Dividend Accumulations	Funds Set Aside for Policy Dividends	Other Obligations	Surplus Funds	Capital (Stock Companies)	Total
1952	$ 62,579	$ 1,675	$ 841	$ 3,024	$4,884	$ 372	$ 73,375
1955	75,359	2,239	1,201	4,625	6,475	533	90,432
1960	98,473	3,381	1,780	6,268	8,827	847	119,576
1965	127,620	4,326	2,647	10,455	12,468	1,368	158,884
1966	134,711	4,602	2,875	10,351	13,452	1,464	167,455
1967	142,418	4,877	3,064	11,725	14,239	1,509	177,832
1968	150,308	5,275	3,204	13,017	15,213	1,619	188,636
1969	158,550	5,662	3,372	12,570	15,395	1,659	197,208
1970	167,779	6,068	3,540	12,544	15,651	1,672	207,254
1971	179,649	6,530	3,720	14,364	16,150	1,689	222,102
1972	192,759	7,031	4,030	16,955	17,231	1,724	239,730
1973	204,521	7,552	4,384	16,085	17,995	1,899	252,436
1974	216,507	8,080	4,604	15,517	16,730	1,911	263,349
1975	237,116	8,814	4,875	17,936	18,635	1,928	289,304
1976	262,775	9,633	5,252	21,881	20,077	1,934	321,552
1977	287,932	10,427	5,839	23,907	21,669	1,948	351,722
1978	318,483	11,319	6,380	27,495	24,285	1,962	389,924

Note: Data for 1970 through 1977 are revised.
Source: American Council of Life Insurance.

LIFE INSURANCE ASSETS

Assets of U.S. life insurance companies totaled $389.9 billion at the end of 1978, an increase of 10.9% during the year. This followed an increase of 9.4% during 1977, and compares with an annual average of about 8% during the first six years of the 1970s.

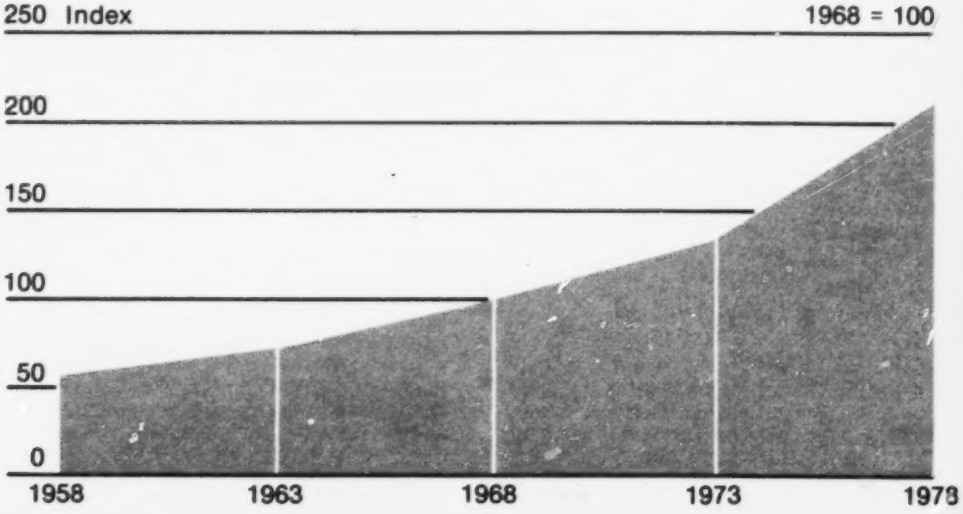
The growth in assets in 1978 was a result of the substantive inflows of $36.8 billion in new funds and a net gain of $.9 billion in the valuation of assets previously held. Inflows of new funds in 1977, amounting to $32.7 billion, were high by historical measures. The rapid expansion of the group and individual annuity business in recent years has been a major factor contributing to recent asset growth. Also contributing to asset growth in 1978 was further improvement in investment income.

Assets of life insurance companies, largely comprised of financial instruments, are used to back life insurance and annuity reserves and have been primarily built up from policyholders' premiums and investment earnings. Investments of life companies are an important source of capital in America's economy. Net investments in U.S. capital markets by life insurance companies totaled $33.4 billion in 1978. Life insurance ranked fifth among the major domestic institutional sources of funds, supplying 7% of the total funds flowing into financial markets.

The largest component of life company assets in 1978 was corporate debt issues. Large amounts were invested during the year in these securities because of the increased flow of investment funds and the reduced demands for mortgage financing. Holdings of corporate debt increased from $137.9 billion to $156.0 billion, or 40.0% of total assets at year-end 1978.

Mortgages, the second largest component of life insurance company assets, increased from $96.8 billion to $105.8 billion at the end of 1978. As a proportion of total assets, however, these holdings continued to decline to 27.1% from the 1966 peak of 38.6%.

Relative Growth in Assets of U.S. Life Insurance Companies



Corporate stock holdings increased in 1978 following a decrease in 1977. Total stock holdings amounted to $35.5 billion, or 9.1% of total assets, and included $25.0 billion of common stocks and $10.5 billion of preferred stocks.

Distribution of Assets of U.S. Life Insurance Companies

Amount *(000,000 Omitted)*

Year	Government Securities	Corporate Securities: Bonds	Corporate Securities: Stocks	Mortgages	Real Estate	Policy Loans	Misc. Assets	Total
1917	$ 562	$ 1,975	$ 83	$ 2,021	$ 179	$ 810	$ 311	$ 5,941
1920	1,349	1,949	75	2,442	172	859	474	7,320
1925	1,311	3,022	81	4,808	266	1,446	604	11,538
1930	1,502	4,929	519	7,598	548	2,807	977	18,880
1935	4,727	5,314	583	5,357	1,990	3,540	1,705	23,216
1940	8,447	8,645	605	5,972	2,065	3,091	1,977	30,802
1945	22,545	10,060	999	6,636	857	1,962	1,738	44,797
1950	16,118	23,248	2,103	16,102	1,445	2,413	2,591	64,020
1955	11,829	35,912	3,633	29,445	2,581	3,290	3,742	90,432
1960	11,815	46,740	4,981	41,771	3,765	5,231	5,273	119,576
1965	11,908	58,244	9,126	60,013	4,681	7,678	7,234	158,884
1966	11,396	60,819	8,832	64,609	4,885	9,117	7,797	167,455
1967	11,079	64,687	10,877	67,516	5,187	10,059	8,427	177,832
1968	11,096	68,310	13,230	69,973	5,571	11,306	9,150	188,636
1969	10,914	70,859	13,707	72,027	5,912	13,825	9,964	197,208
1970	11,068	75,098	15,420	74,375	6,320	16,064	10,909	207,254
1971	11,000	79,198	20,607	75,496	6,904	17,065	11,832	222,102
1972	11,372	86,140	26,845	76,948	7,295	18,003	13,127	239,730
1973	11,403	91,796	25,919	81,369	7,693	20,199	14,057	252,436
1974	11,965	96,652	21,920	86,234	8,331	22,862	15,385	263,349
1975	15,177	105,837	28,061	89,167	9,621	24,467	16,974	289,304
1976	20,260	120,666	34,262	91,552	10,476	25,834	18,502	321,552
1977	23,555	137,889	33,763	96,848	11,060	27,556	21,051	351,722
1978	26,552	156,044	35,518	105,790	11,764	30,146	24,110	389,924
Percent								
1917	9.6%	33.2%	1.4%	34.0%	3.0%	13.6%	5.2%	100.0%
1920	18.4	26.7	1.0	33.4	2.3	11.7	6.5	100.0
1925	11.3	26.2	.7	41.7	2.3	12.5	5.3	100.0
1930	8.0	26.0	2.8	40.2	2.9	14.9	5.2	100.0
1935	20.4	22.9	2.5	23.1	8.6	15.2	7.3	100.0
1940	27.5	28.1	2.0	19.4	6.7	10.0	6.3	100.0
1945	50.3	22.5	2.2	14.8	1.9	4.4	3.9	100.0
1950	25.2	36.3	3.3	25.1	2.2	3.8	4.1	100.0
1955	13.1	39.7	4.0	32.6	2.9	3.6	4.1	100.0
1960	9.9	39.1	4.2	34.9	3.1	4.4	4.4	100.0
1965	7.5	36.7	5.7	37.8	3.0	4.8	4.5	100.0
1966	6.8	36.3	5.3	38.6	2.9	5.5	4.6	100.0
1967	6.2	36.4	6.1	38.0	2.9	5.7	4.7	100.0
1968	5.9	36.2	7.0	37.1	3.0	6.0	4.8	100.0
1969	5.5	36.0	6.9	36.6	3.0	7.0	5.0	100.0
1970	5.3	35.3	7.4	35.9	3.0	7.8	5.3	100.0
1971	4.9	35.7	9.3	34.0	3.1	7.7	5.3	100.0
1972	4.8	35.9	11.2	32.1	3.0	7.5	5.5	100.0
1973	4.5	36.4	10.3	32.2	3.0	8.0	5.6	100.0
1974	4.5	36.7	8.3	32.8	3.2	8.7	5.8	100.0
1975	5.2	36.6	9.7	30.8	3.3	8.5	5.9	100.0
1976	6.3	37.5	10.7	28.5	3.3	8.0	5.7	100.0
1977	6.7	39.2	9.6	27.5	3.2	7.8	6.0	100.0
1978	6.8	40.0	9.1	27.1	3.0	7.8	6.2	100.0

Note: Beginning with 1962, these data include the assets of separate accounts. For detail on separate accounts, see page 87.

Sources: Spectator Year Book *and American Council of Life Insurance.*

Assets of U.S. Life Insurance Companies

(000,000 Omitted)

Year	Amount	Year	Amount	Year	Amount	Year	Amount
1890	$ 771	1925	$11,538	1943	$ 37,766	1961	$126,816
1895	1,160	1926	12,940	1944	41,054	1962	133,291
1900	1,742	1927	14,392	1945	44,797	1963	141,121
1905	2,706	1928	15,961	1946	48,191	1964	149,470
1910	3,876	1929	17,482	1947	51,743	1965	158,884
1911	4,164	1930	18,880	1948	55,512	1966	167,455
1912	4,409	1931	20,160	1949	59,630	1967	177,832
1913	4,659	1932	20,754	1950	64,020	1968	188,636
1914	4,935	1933	20,896	1951	68,278	1969	197,208
1915	5,190	1934	21,844	1952	73,375	1970	207,254
1916	5,537	1935	23,216	1953	78,533	1971	222,102
1917	5,941	1936	24,874	1954	84,486	1972	239,730
1918	6,475	1937	26,249	1955	90,432	1973	252,436
1919	6,791	1938	27,755	1956	96,011	1974	263,349
1920	7,320	1939	29,243	1957	101,309	1975	289,304
1921	7,936	1940	30,802	1958	107,580	1976	321,552
1922	8,652	1941	32,731	1959	113,650	1977	351,722
1923	9,455	1942	34,931	1960	119,576	1978	389,924
1924	10,394						

Note: Beginning with 1962, these data include the assets of separate accounts. For detail on separate accounts, see page 87.

Sources: Spectator Year Book *and American Council of Life Insurance.*

Sources of Funds in the United States Money and Capital Markets (In Billions of Dollars)

	1967	1974	1975	1976	1977	1978*
Life Insurance Companies	$ 8.4	$ 15.6	$ 19.0	$ 26.4	$ 29.2	$ 33.4
Private Non-Life Insurance Company Pension Plans	5.5	8.1	13.8	12.5	15.6	12.3
State and Local Retirement Funds	4.0	9.3	11.6	13.4	12.8	16.0
Savings and Loan Associations	9.1	19.5	37.3	50.5	63.0	58.7
Mutual Savings Banks	5.4	3.3	10.9	12.7	11.5	9.5
Commercial Banking	37.4	62.2	29.7	65.2	86.4	118.5
Federal Reserve Banks	4.8	6.2	8.5	9.8	7.1	7.0
Federal Loan Agencies	5.5	26.5	33.9	31.6	34.5	52.1
Nonfinancial Corporations	2.1	11.0	13.6	17.9	13.9	15.4
Fire and Casualty Companies	1.6	4.1	6.6	13.4	14.4	14.3
Real Estate Investment Trusts	—	0.2	-4.9	-3.7	-2.4	-1.0
Mutual Funds	1.4	-0.2	0.3	0.8	-1.5	1.8
Foreigners	2.7	12.4	10.9	18.0	43.2	40.2
Individuals and Others	-3.3	41.4	31.0	28.0	60.8	81.3
Total	$84.6	$219.8	$222.2	$296.5	$388.5	$459.5

Note: Data are revised. Details may not add to totals due to rounding.

*Preliminary.

Source: American Council of Life Insurance.

New Investments

Acquisitions of investments by U.S. life insurance companies reached a record high of $235 billion in 1978, an increase of $24 billion, or 11.3%, over 1977. The increase stemmed largely from short-term debt transactions while longer-term investment acquisitions were up slightly from 1977.

Total acquisitions were six times as large as the net increase in total assets, largely because of short-term securities purchases, but also because of the reinvestment of funds generated by repayments and sales of existing investments. Purchases of short-term securities, in which large amounts of funds are reinvested many times in a single year, amounted to $166 billion, $22 billion above the 1977 volume. These temporary investments accounted for 71% of total acquisitions in 1978, somewhat more than the proportion in other recent years. The major portion of short-term acquisitions was accounted for by corporate debt issues, which amounted to $137 billion; the remaining $29 billion represented government issues.

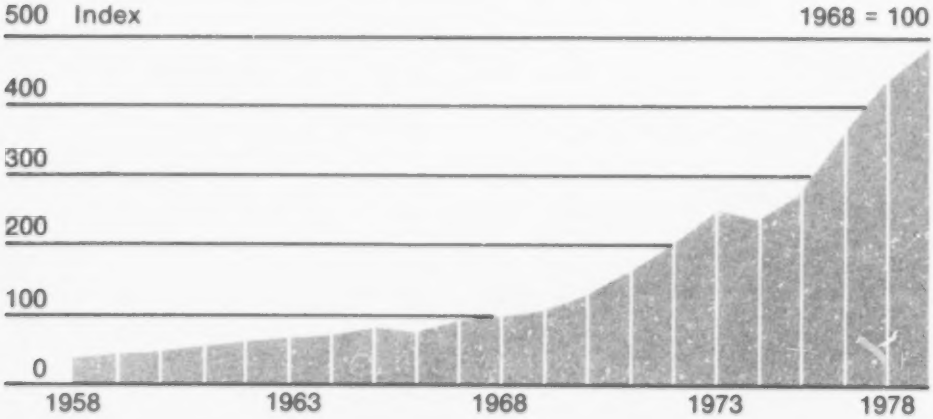
Of the $69 billion of longer-term acquisitions, $37 billion was traceable to the net increase in assets (adjusted to exclude changes in valuation of existing assets). About $30 billion represented funds available for reinvestment from repayments of existing investments, such as bond maturities, calls, mortgage amortizations and prepayments and sales of holdings. The balance of acquisitions represented exchanges and refinancings.

Excluding short-term securities from the totals, acquisitions were $69 billion in 1978, an increase of $2 billion, or 3%, from the previous year. The 1978 growth in acquisitions of longer-term investments followed considerably larger increases in the preceding three years.

New longer-term investments of life insurance companies come under six broad categories. Corporate bonds are a major outlet for investment funds, accounting for over 40% of longer-term acquisitions in 1978, and mortgages represented over 25% of the total. Next in order were corporate stocks, government securities, policy loans and real estate. Acquisitions of corporate bonds and government securities were less in 1978 than in 1977, while the other four categories increased over 1977.

Relative Growth in Acquisitions of Investments

U.S. Life Insurance Companies



Corporate bond acquisitions amounted to $28 billion in 1978, $2 billion or 7% less than the record amount in the previous year. Although corporate bond acquisitions decreased to 41% of total longer-term acquisitions in 1978 from 45% in 1977, the 1978 proportion was still above the average of 35% for the first six years of the decade. Acquisitions of longer-term domestic corporate bonds amounted to $27 billion and foreign corporate bonds came to $1 billion in 1978. The former category decreased 8% from 1977 while the latter increased 4%.

Mortgages accounted for $18 billion of life company investment acquisitions in 1978, $4 billion, or 25%, more than in 1977. Mortgage loans increased to 26% of total life company longer-term acquisitions in 1978 from 21% in 1977 and a low 18% share in 1976.

Acquisitions of Investments

U.S. Life Insurance Companies *(000,000 Omitted)*

Year	Government Securities	Corporate Securities			Real Estate	Policy Loans	Total
		Bonds	Stocks	Mortgages			
1947	$1,710	$ 4,248	$ 307	$ 2,786	$219	$ 327	$ 9,597
1948	2,262	4,800	181	3,407	278	414	11,342
1949	1,065	3,674	251	3,440	264	478	9,172
1950	2,399	3,700	470	4,894	257	521	12,241
1951	7,691	4,379	278	5,134	273	535	18,290
1952	4,610	5,151	194	3,978	335	504	14,772
1953	3,939	4,631	233	4,345	205	579	13,932
1954	5,549	5,157	552	5,344	388	661	17,651
1955	6,176	4,687	392	6,614	371	669	18,909
1956	4,794	5,305	291	6,715	360	744	18,209
1957	3,833	6,044	294	5,230	458	916	16,775
1958	5,625	5,799	365	5,277	463	1,008	18,537
1959	5,613	6,318	514	5,975	446	1,156	20,022
1960	5,011	6,886	655	6,083	299	1,420	20,354
1961	6,478	9,113	918	6,785	429	1,427	25,150
1962	6,824	11,654	766	7,478	363	1,473	28,558
1963	6,018	14,200	788	9,172	485	1,504	32,167
1964	4,979	15,419	1,066	10,433	488	1,574	33,959
1965	4,273	20,428	1,463	11,137	448	1,702	39,451
1966	3,837	18,452	1,326	10,217	510	2,613	36,955
1967	3,949	25,930	2,065	8,470	668	2,365	43,447
1968	5,570	27,601	3,318	7,925	815	2,741	47,970

Year	Government Securities		Corporate Securities						
			Bonds						
	Short-Term	Total	Short-Term	Total	Stocks	Mortgages	Real Estate	Policy Loans	Total
1969	$ 3,262	$ 4,655	$25,096	$ 31,883	$4,099	$ 7,531	$ 794	$4,118	$ 53,080
1970	3,816	4,612	34,597	41,405	4,086	7,181	859	4,149	62,292
1971	5,376	7,011	41,790	53,517	6,785	7,573	1,035	3,400	79,321
1972	7,385	8,989	53,983	68,240	8,468	8,696	976	3,252	98,621
1973	6,905	8,290	74,318	87,059	8,198	11,463	1,177	4,602	120,789
1974	6,153	7,609	75,390	86,656	4,832	11,339	1,294	5,332	117,062
1975	9,949	13,644	79,967	96,534	5,955	9,595	2,115	4,600	132,443
1976	23,066	30,315	96,440	120,442	7,691	9,801	1,814	4,826	174,889
1977	27,410	34,908	116,931	147,114	7,588	14,176	2,059	5,115	210,960
1978	29,363	35,805	136,860	164,866	8,015	17,700	2,234	6,260	234,880

Source: American Council of Life Insurance.

Included in the mortgage loan total were $14 billion of nonfarm conventional loans, $3 billion of farm mortgages, and $557 million of government-backed mortgages. Nonfarm conventional mortgages, which accounted for 81% of total mortgage acquisitions in 1978, increased $3 billion from 1977, and the other two categories were also larger than in 1977. Loans on nonresidential properties, such as office buildings, shopping centers, manufacturing plants and warehouses, continued to dominate the nonfarm conventional mortgage total, but acquisitions of mortgages on residential properties, particularly one-to-four family homes, accelerated rapidly in 1978. Acquisitions of conventionally financed one-to-four family mortgages were 4.5 times the 1977 amount.

Corporate stock acquisitions increased $427 million during 1978 to $8 billion. Common stock acquisitions, including those acquired for separate accounts, amounted to $6 billion, and preferred stock acquisitions were nearly $2 billion. Despite an increase over 1977 in common stock acquisitions, disposals of common stocks of over $6 billion during 1978 were even larger than acquisitions. Dispositions of preferred stocks amounted to $859 million during 1978.

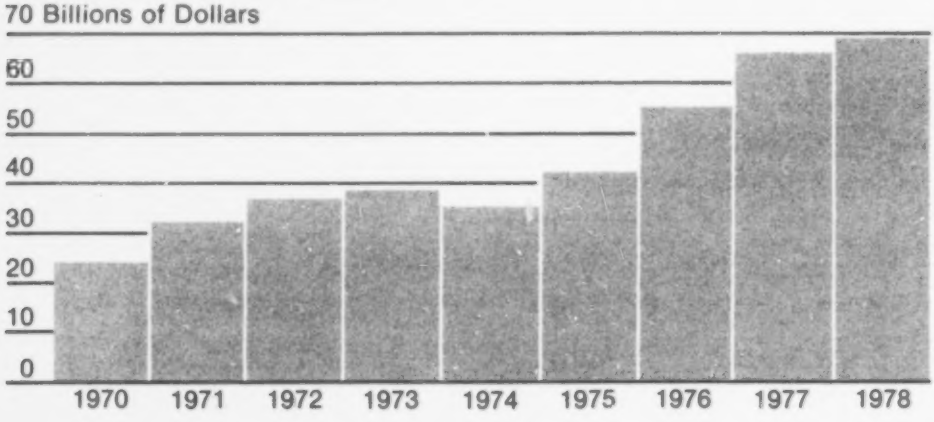
Acquisitions of long-term government securities totaled $6 billion in 1978, $1 billion less than in 1977. Although acquisitions of U.S. Federal agency securities of $3 billion increased 22% over 1977, other categories of government bonds decreased. Acquisitions of long-term U.S. Treasury issues of $1 billion dropped 43% from 1977, foreign government and international agency bonds of $1 billion dropped 41%, and state and local government longer-term issues of $1 billion decreased 3% from 1977.

Policy loans made by life insurance companies during 1978 amounted to $6 billion, up $1 billion from 1977. As a share of total longer-term acquisitions, policy loans increased to 9% from less than 8% in 1977. The upturn in the ratio was the first since 1974, when policy loan acquisitions accounted for 15% of total longer-term acquisitions.

Real estate accounted for $2 billion of life insurance company investment acquisitions, $175 million, or 8.5%, more than in 1977.

Acquisitions of Longer-Term Investments

U.S. Life Insurance Companies



Acquisitions and Change in Holdings of Investments

U.S. Life Insurance Companies *(000,000 Omitted)*

Type of Investment in Year	1977 Acquired in Year	1977 Held at Year-end	1977 Change in Holdings in Year	1978 Acquired in Year	1978 Held at Year-en	1978 Change in Holdings
GOVERNMENT SECURITIES						
Short Term: 1 Year or Less						
U.S. Treasury	$ 22,939	$ 574	$- 825	$ 24,050	$ 442	$- 132
U.S. Federal Agency	4,312	59	- 81	4,613	113	+ 54
U.S. State and Local	13	5	+ 2	63	15	+ 10
Foreign Government and International Agency	146	16	+ 11	637	86	+ 70
	27,410	654	- 893	29,363	656	+ 2
Other: Over 1 Year						
U.S. Treasury	2,057	4,741	+ 772	1,173	4,380	- 361
U.S. Federal Agency	2,511	3,943	+ 1,765	3,069	6,430	+ 2,487
U.S. State and Local	1,238	6,046	+ 455	1,206	6,387	+ 341
Foreign Government and International Agency	1,692	8,171	+ 1,196	994	8,699	+ 528
	7,498	22,901	+ 4,188	6,442	25,896	+ 2,995
Total Government Securities	34,908	23,555	+ 3,295	35,805	26,552	+ 2,997
CORPORATE SECURITIES						
Bonds, Debentures and Notes						
Short Term: 1 Year or Less						
U.S.	108,684	4,582	- 167	122,053	5,668	+ 1,086
Foreign	8,247	314	- 161	14,807	681	+ 367
Other: Over 1 Year						
U.S.	29,027	125,599	+16,874	26,807	141,450	+15,851
Foreign	1,156	7,394	+ 677	1,199	8,245	+ 851
	147,114	137,889	+17,223	164,866	156,044	+18,155
Stocks						
Common	5,473	24,086	- 1,608	6,307	24,986	+ 900
Preferred	2,115	9,677	+ 1,109	1,708	10,532	+ 855
	7,588	33,763	- 499	8,015	35,518	+ 1,755
Total Corporate Securities	154,702	171,652	+16,724	172,881	191,562	+19,910
MORTGAGES						
Farm	2,373	8,842	+ 1,417	2,733	10,386	+ 1,544
Nonfarm						
F.H.A.	175	6,591	- 663	268	6,109	- 482
N.H.A.	42	591	+ 7	38	596	+ 5
V.A.	216	3,348	- 255	251	3,164	- 184
Conventional	11,370	77,476	+ 4,790	14,410	85,535	+ 8,059
Total Mortgages	14,176	96,848	+ 5,296	17,700	105,790	+ 8,942
REAL ESTATE	2,059	11,060	+ 584	2,234	11,764	+ 704
POLICY LOANS	5,115	27,556	+ 1,722	6,260	30,146	+ 2,590
CASH	XXX	2,130	+ 127	XXX	2,367	+ 237
OTHER ASSETS	XXX	18,921	+ 2,422	XXX	21,743	+ 2,822
TOTAL ASSETS	$210,960	$351,722	$+30,170	$234,880	$389,924	$+38,202

Source: American Council of Life Insurance.

Government Securities

Government securities amounted to 6.8% of total assets of U.S. life insurance companies at year-end 1978.

These securities have been more attractive to life insurance companies in the last four years. Holdings of these investments amounted to $26.6 billion at the end of 1978, an increase of $3.0 billion, or 13%, during the year. This growth follows a 16% increase in 1977. Investments in issues of U.S. Federal agencies accounted for 85% of the increase during 1978.

The large increases in recent years have been in sharp contrast to smaller increments in prior years. As a proportion of total assets, holdings of U.S. government securities have decreased steeply since the end of World War II. Life insurance funds had been heavily channeled into government securities during the war, with holdings consisting mainly of Treasury notes and bonds.

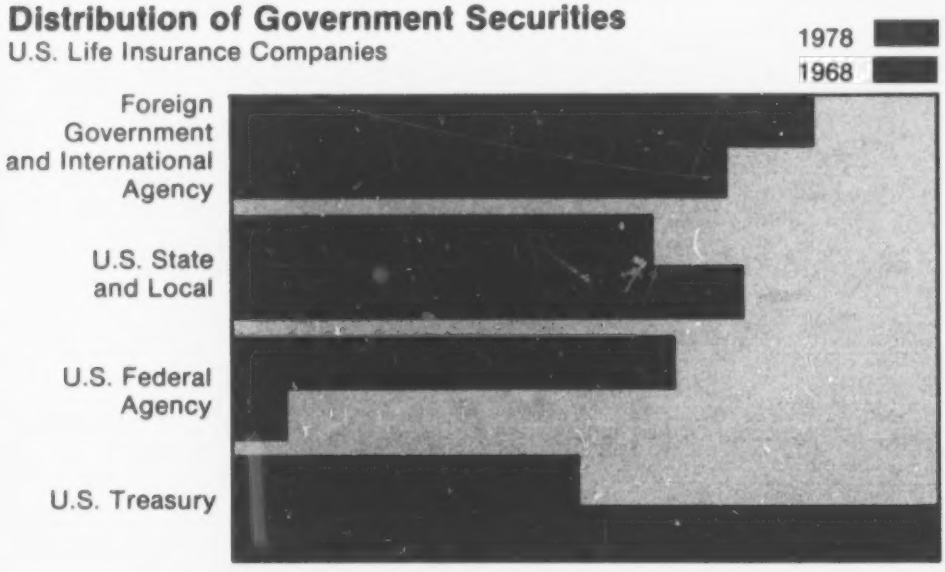
Securities of the United States government include U.S. Treasury securities and those of U.S. Federal agencies or those sponsored by the Federal government (such as the Federal National Mortgage Association and the Federal Home Loan Banks). Investments in these securities amounted to $11.4 billion at year-end 1978, an increase of $2.0 billion, or 22%, from year-end 1977. Short-term Treasury bills and certificates, purchased to keep funds at work until they are needed for longer-term investments, amounted to $442 million. Short-term Federal agency securities totaled $113 million. Holdings of short-term U.S. Treasury and Federal agency issues decreased 12% while holdings of long-term securities of these agencies increased 24%.

U.S. state and local securities amounted to $6.4 billion at the end of 1978, an increase of $351 million, or 6%, during the year. These holdings include guaranteed, special revenue and other issues of the 50 states, District of Columbia, Puerto Rico, and the territories and possessions of the United States and their political subdivisions.

In addition to the securities of governments in the United States, U.S. life companies had $8.8 billion invested in securities of the central and local

Distribution of Government Securities

U.S. Life Insurance Companies



Government Securities

Owned by U.S. Life Insurance Companies *(000,000 Omitted)*

Year	United States				Foreign Government and International Agency	Total Amount	% of Assets
	Treasury	Federal Agency	State and Local	Total			
1917	$ 70	—	*	*	*	$ 562	9.6
1920	830	—	*	*	*	1,349	18.4
1925	627	—	*	*	*	1,311	11.3
1930	319	—	*	*	*	1,502	8.0
1935	2,853	—	$1,344	$ 4,197	$ 530	4,727	20.4
1940	5,767	—	2,082	7,849	598	8,447	27.5
1945	20,583	—	722	21,305	1,240	22,545	50.3
1946	21,629	—	614	22,243	1,332	23,575	48.9
1947	20,021	—	609	20,630	1,416	22,046	42.6
1948	16,746	—	872	17,618	1,517	19,135	34.5
1949	15,290	—	1,052	16,342	1,526	17,868	30.0
1950	13,459	—	1,152	14,611	1,507	16,118	25.2
1951	11,009	—	1,170	12,179	1,581	13,760	20.1
1952	10,252	—	1,153	11,405	1,500	12,905	17.6
1953	9,829	—	1,298	11,127	1,410	12,537	15.9
1954	9,070	—	1,846	10,916	1,346	12,262	14.5
1955	8,576	—	2,038	10,614	1,215	11,829	13.1
1956	7,555	—	2,273	9,828	1,239	11,067	11.5
1957	7,029	—	2,376	9,405	1,286	10,691	10.6
1958	7,183	†	2,681	9,864	1,371	11,235	10.5
1959	6,868	$ 72	3,200	10,140	1,520	11,660	10.3
1960	6,427	101	3,588	10,116	1,699	11,815	9.9
1961	6,134	110	3,888	10,132	1,913	12,045	9.5
1962	6,170	105	4,026	10,301	2,297	12,598	9.4
1963	5,813	139	3,852	9,804	2,826	12,630	8.9
1964	5,594	129	3,774	9,497	3,012	12,509	8.4
1965	5,119	167	3,530	8,816	3,092	11,908	7.5
1966	4,921	236	3,260	8,417	2,979	11,396	6.8
1967	4,683	230	3,145	8,058	3,021	11,079	6.2
1968	4,456	294	3,194	7,944	3,152	11,096	5.9
1969	4,124	390	3,221	7,735	3,179	10,914	5.5
1970	4,042	532	3,306	7,880	3,188	11,068	5.3
1971	3,828	627	3,363	7,818	3,182	11,000	4.9
1972	3,827	735	3,367	7,929	3,443	11,372	4.8
1973	3,444	884	3,412	7,740	3,663	11,403	4.5
1974	3,372	1,065	3,667	8,104	3,861	11,965	4.5
1975	4,736	1,419	4,508	10,663	4,514	15,177	5.2
1976	5,368	2,318	5,594	13,280	6,980	20,260	6.3
1977	5,315	4,002	6,051	15,368	8,187	23,555	6.7
1978	4,822	6,543	6,402	17,767	8,785	26,552	6.8

*Breakdown not available.

†Holdings of U.S. Federal agency bonds in 1958 (the first year in which life companies held such securities) were estimated to be $50 million, and were included in other categories for that year.

Sources: Spectator Year Book *and American Council of Life Insurance.*

Corporate Securities

Corporate securities owned by U.S. life insurance companies grew to 49.1% of the companies' assets at year-end 1978 and amounted to $191.6 billion. This was an increase of $19.9 billion, or 12%, over the previous year and follows an increase of $16.7 billion, or 11%, in 1977. These securities consist of corporate bonds and stocks.

Corporate bond holdings amounted to $156.0 billion and were 40% of all assets at year-end 1978. These investments have increased steadily for many years and have more than doubled in the last decade. Demands for corporate bond financing were particularly heavy in the last three years.

Corporate bond holdings amounted to $156.0 billion and were 40% of all assets at year-end 1978. These investments have increased steadily for many years and have more than doubled in the last decade. Demands for corporate bond financing were particularly heavy in the last three years.

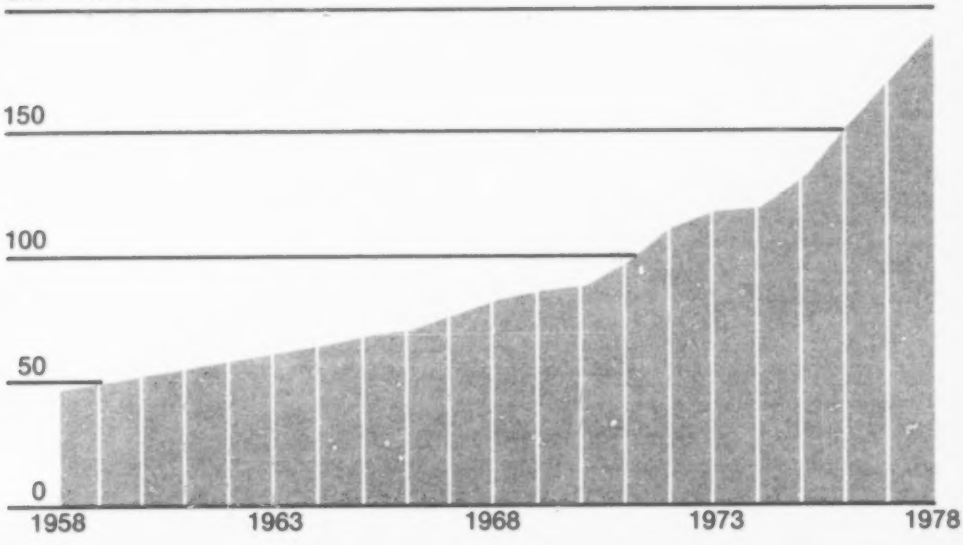
The major share of corporate bond holdings — $147.1 billion — was invested in corporations in the United States. The remainder — $8.9 billion — was invested in corporations in foreign countries, chiefly Canada.

Life insurance companies are important investors in the corporate bond market and have been the largest institutional holder of corporate bonds issued in U.S. markets since the 1930s. More than one-third of total outstanding corporate bonds are held by life insurance companies. Private or direct placements, where the financial institution negotiates directly with the corporation over the terms of the offering, account for a large share of life company investments in corporate bonds. Life insurance companies are the major lenders in the direct placement market.

Corporate bonds include the bonds of industrial and miscellaneous corporations, public utilities and railroads. Industrial and miscellaneous

Growth in Holdings of Corporate Securities

U.S. Life Insurance Companies



governments of Canada and other foreign countries, and in international agencies such as the International Bank for Reconstruction and Development (World Bank). Investment in Canada's central and local governments amounted to $7.0 billion. After Canada, the largest life insurance company holdings of foreign government bonds were those of Mexico, Israel, Australia, Japan and Panama.

Corporate Securities

Owned by U.S. Life Insurance Companies *(000,000 Omitted)*

	Bonds				Stocks					
Year	United States	Foreign	Total	% of Assets	Common	Preferred	Total	% of Assets	Total Amount	% of Assets
1917 ...	*	*	$ 1,975	33.2	*	*	$ 83	1.4	$ 2,058	34.6
1920 ...	*	*	1,949	26.7	*	*	75	1.0	2,024	27.7
1925 ...	*	*	3,022	26.2	*	*	81	.7	3,103	26.9
1930 ...	*	*	4,929	26.0	*	*	519	2.8	5,448	28.8
1935 ...	*	*	5,314	22.9	*	*	583	2.5	5,897	25.4
1940 ...	*	*	8,645	28.1	*	*	605	2.0	9,250	30.1
1945 ...	*	*	10,060	22.5	*	*	999	2.2	11,059	24.7
1946 ...	*	*	11,775	24.5	*	*	1,249	2.6	13,024	27.1
1947 ...	$ 14,329	$ 382	14,711	28.4	$ 357	$1,033	1,390	2.7	16,101	31.1
1948 ...	18,388	456	18,844	33.9	373	1,055	1,428	2.6	20,272	36.5
1949 ...	20,893	513	21,406	35.9	460	1,258	1,718	2.9	23,124	38.8
1950 ...	22,607	641	23,248	36.3	649	1,454	2,103	3.3	25,351	39.6
1951 ...	25,147	743	25,890	37.9	820	1,401	2,221	3.3	28,111	41.2
1952 ...	28,164	905	29,069	39.6	963	1,483	2,446	3.3	31,515	42.9
1953 ...	30,750	1,115	31,865	40.6	1,042	1,531	2,573	3.3	34,438	43.9
1954 ...	32,774	1,258	34,032	40.3	1,536	1,732	3,268	3.9	37,300	44.2
1955 ...	34,629	1,283	35,912	39.7	1,889	1,744	3,633	4.0	39,545	43.7
1956 ...	36,606	1,434	38,040	39.6	1,952	1,551	3,503	3.7	41,543	43.4
1957 ...	39,065	1,600	40,665	40.1	1,867	1,524	3,391	3.3	44,056	43.8
1958 ...	41,234	1,764	42,998	40.0	2,548	1,561	4,109	3.8	47,107	43.8
1959 ...	43,142	1,884	45,026	39.6	2,954	1,607	4,561	4.0	49,587	43.6
1960 ...	44,709	2,031	46,740	39.1	3,183	1,798	4,981	4.2	51,721	43.3
1961 ...	46,595	2,292	48,887	38.5	4,223	2,035	6,258	4.9	55,145	43.4
1962 ...	48,522	2,602	51,124	38.4	4,119	2,183	6,302	4.7	57,426	43.1
1963 ...	50,620	2,833	53,453	37.9	4,820	2,315	7,135	5.0	60,588	42.9
1964 ...	52,408	3,046	55,454	37.1	5,422	2,516	7,938	5.3	63,392	42.4
1965 ...	54,835	3,409	58,244	36.7	6,263	2,863	9,126	5.7	67,370	42.4
1966 ...	57,105	3,714	60,819	36.3	6,003	2,829	8,832	5.3	69,651	41.6
1967 ...	60,835	3,852	64,687	36.4	7,810	3,067	10,877	6.1	75,564	42.5
1968 ...	64,396	3,914	68,310	36.2	9,995	3,235	13,230	7.0	81,540	43.2
1969 ...	66,813	4,046	70,859	36.0	10,318	3,389	13,707	6.9	84,566	42.9
1970 ...	68,711	4,387	73,098	35.3	11,873	3,547	15,420	7.4	88,518	42.7
1971 ...	74,699	4,499	79,198	35.7	16,779	3,828	20,607	9.3	99,805	45.0
1972 ...	81,244	4,896	86,140	35.9	21,793	5,052	26,845	11.2	112,985	47.1
1973 ...	86,848	4,948	91,796	36.4	19,606	6,313	25,919	10.3	117,715	46.7
1974 ...	91,412	5,240	96,652	36.7	14,946	6,974	21,920	8.3	118,572	45.0
1975 ...	99,993	5,844	105,837	36.6	20,304	7,757	28,061	9.7	133,898	46.3
1976 ...	113,474	7,192	120,666	37.5	25,694	8,568	34,262	10.7	154,928	48.2
1977 ...	130.181	7,708	137,889	39.2	24,086	9,677	33,763	9.6	171,652	48.8
1978 ...	147,118	8,926	156,044	40.0	24,986	10,532	35,518	9.1	191,562	49.1

*Breakdown not available.

Sources: Spectator Year Book *and American Council of Life Insurance.*

bonds, which have steadily risen as a component since the end of World War II, amounted to $105.5 billion at the end of 1978. The growth in this category of bonds reflects the postwar industrial expansion of the nation's economy. The bulk of such securities are acquired by direct placements.

Public utility bonds amounted to $37.4 billion at year-end 1978. These bonds represent an important investment medium for life insurance companies. Through these investments, the life companies have helped to provide the nation with vital services for people and industry. One example is the increase in electrical power for industrial expansion and the means of distributing it. Life insurance companies have also helped finance expanded communications facilities and have invested in water, sewerage, fuel and local transportation facilities.

Railroad bonds, which have declined as a proportion of assets since the end of World War II, amounted to $4.3 billion, or 1% of total assets at year-end 1978. In the 1920s, railroad bonds accounted for 20% of total assets held by life insurance companies.

Long-term shifts in investment demand are reflected in changes in life companies' portfolios. Since World War II, for example, there have been shifts in holdings from government securities to corporate securities. Changes in relative yields of the various types of investments account in part for these shifts. Investment of life insurance funds is not, however, a simple matter of following changes in yield curves and in assessments of investment quality. Decisions about long-term investments also require consideration of major economic and social trends for decades to come.

Investments in common and preferred stocks account for the remainder of corporate securities owned by U.S. life insurance companies. These holdings amounted to $35.5 billion, or 9.1% of total assets at the end of 1978. The net increase of $1.8 billion follows a decrease of $499 million in 1977.

Holdings of common stocks increased by $.9 billion to $25.0 billion in 1978. This was due to an increase in the valuation of common stock. Preferred stocks increased by $.9 billion or 8.8%, to total $10.5 billion at year-end 1978.

At the end of 1977 (the latest year for which data are available) life insurance companies held about 3% of the total corporate stock outstanding. Among institutional investors, life insurers ranked third.

Historically, stocks have been a small percentage of total assets for reasons rooted in both the investment philosophy of the business and in the laws regulating life insurance. Stocks have not been heavily used as a major investment medium for funds backing life insurance policies because of the contractual guarantees for specified dollar amounts in these policies.

Legal restrictions on stock investments have also been quite specific. For many years life companies operating in New York State could not, under law, invest in any common stock. The law was first amended in 1951 to permit some investments of this type.

The growth of funding of pension plans with life companies and variable annuities through equity securities also has led to changes. The introduction of variable life insurance has also altered the situation. State laws generally permit certain assets of these and other plans to be maintained in an account separate from a company's other assets, with up to 100% invested in stocks or other equities. At year-end 1978, 45.9% of all common stocks were held in separate accounts.

Mortgages

Life insurance company mortgage holdings at year-end 1978 amounted to $105.8 billion, or 27.1% of total assets. The asset share for mortgage loans declined slightly during 1978, from 27.5% at year-end 1977, compared with larger decreases in the three preceding years.

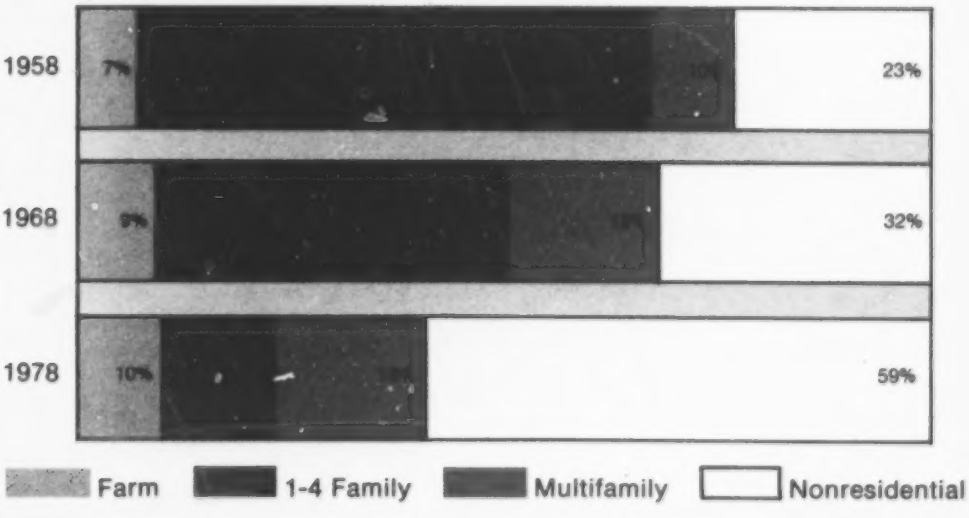
Mortgages have always been a significant component of life insurance company investments, although their relative importance has changed over the years. Mortgages are attractive investment outlets for life insurance companies because of their general safety, favorable yields and maturities appropriate for the companies' liabilities. Life insurance companies rank third among major institutional mortgage lenders.

Of the 1978 total, $102.7 billion was in mortgages held on properties in the United States. These holdings showed a net increase during 1978 of a record $9 billion, compared with $5.2 billion in 1977. Loans on nonfarm, nonresidential properties alone increased by $7.2 billion during 1978. An analysis of life insurance companies' gross flow of mortgage loans during 1978 showed acquisitions of mortgages on properties in the U.S. totaled $17 billion while dispositions totaled $8 billion, primarily through repayments. Nonfarm, nonresidential mortgages (including land loans) continued to dominate life companies' mortgage acquisitions and holdings. But particularly notable in 1978 was the stepped-up pace of lending on one-to-four family housing, even though these loan acquisitions still fell short of repayments.

Life insurance companies were heavily involved in the home mortgage market in the 1950s and more moderately involved in the first half of the 1960s. These mortgage holdings have declined during the past twelve years, but the 1978 decrease was relatively small. At the end of 1978, one-to-four family housing accounted for 13.5% of total mortgages held by the companies on U.S. properties, compared with 41% at the end of 1968 and 60% at year-end

Distribution of Mortgages by Type in the United States

U.S. Life Insurance Companies



1958. Holdings of mortgages on these properties decreased during 1978 by $167 million to $13.9 billion at year-end, in contrast with a decrease of $1.4 billion in 1977.

The 1960s saw life companies becoming more involved in mortgages on multifamily housing in response to the increasing loan demand that accompanied rise in the construction of these housing units. Multifamily housing mortgages accounted for 9% of mortgages held by life insurance companies on U.S. properties in 1960, 21% in 1970 and a high of 23% in 1974. Holdings of multifamily housing mortgages then decreased for three years but increased slightly in 1978, by $383 million, to total $18.3 billion at year-end. These holdings were 18% of mortgage loans held by the companies on U.S. properties at the end of 1978.

Life insurance company holdings of nonfarm, nonresidential mortgages rose at a fairly steady pace in the 1950s and 1960s and increased rapidly in the early 1970s. The properties underlying these mortgages cover a broad range of commercial, industrial and institutional uses, including retail stores and shopping centers, office buildings and factories, hospitals and medical centers. Holdings of these nonresidential mortgages represented 24% of U.S. mortgages held by life companies in 1960, 35% in 1970 and 59% in 1978. During 1978, these mortgage holdings increased by $7.2 billion, or nearly 14%, to total $60.2 billion at the end of the year.

Mortgages

Owned by U.S. Life Insurance Companies *(000,000 Omitted)*

Year	Farm	Non-farm	Total Amount	% of Assets	Year	Farm	Non-farm	Total Amount	% of Assets
1890 ..	*	*	$ 310	40.2	1920 ...	$1,270	$1,172	$2,442	33.4
1895 ..	*	*	412	35.6	1925 ...	2,040	2,768	4,808	41.7
1900 ..	*	*	501	28.8	1930 ...	2,057	5,541	7,598	40.2
1905 ..	*	*	724	26.7	1935 ...	1,073	4,284	5,357	23.1
1910 ..	*	*	1,227	31.7	1940 ...	899	5,073	5,972	19.4
1915 ..	*	*	1,779	34.3	1945 ...	776	5,860	6,636	14.8

Year	Farm	Nonfarm F.H.A.†	Nonfarm V.A.	Nonfarm Conventional	Total Amount	% of Assets
1947	$ 895	$ 1,398	$ 844	$ 5,538	$ 8,675	16.8
1950	1,327	4,573	2,026	8,176	16,102	25.1
1955	2,273	6,530	6,074	14,568	29,445	32.6
1960	2,982	9,290	6,901	22,598	41,771	34.9
1965	4,823	12,538	6,286	36,366	60,013	37.8
1966	5,240	12,852	6,201	40,316	64,609	38.6
1967	5,569	12,672	6,122	43,153	67,516	38.0
1968	5,801	12,469	5,954	45,749	69,973	37.1
1969	5,773	12,271	5,701	48,282	72,027	36.6
1970	5,649	12,001	5,394	51,331	74,375	35.9
1971	5,601	11,336	5,004	53,555	75,496	34.0
1972	5,678	10,512	4,660	56,098	76,948	32.1
1973	5,996	9,740	4,402	61,231	81,369	32.2
1974	6,327	9,115	4,178	66,614	86,234	32.8
1975	6,753	8,502	3,903	70,009	89,167	30.8
1976	7,425	7,838	3,603	72,686	91,552	28.5
1977	8,842	7,182	3,348	77,476	96,848	27.5
1978	10,386	6,705	3,164	85,535	105,790	27.1

*Breakdown not available.

†Includes mortgages insured under the Canadian National Housing Act; in 1978, this amounted to $596 million.

Source: American Council of Life Insurance.

Farm mortgage holdings which grew rapidly in the period of 1950 to 1968 and then remained fairly level for several years, have increased sharply in recent years. During 1978, farm mortgages held by life companies increased by $1.5 billion, or 17%, to total $10.4 billion at the end of the year. This amount was 10% of total mortgages held by the companies at year-end 1978.

Classifications of nonfarm mortgage holdings by type of financing show that conventional mortgages have accounted for the growth in life insurance companies' nonfarm mortgage portfolios, while government-backed mortgages have decreased for a number of years. Loans guaranteed by the Veterans Administration declined in nearly every year since 1957 and amounted to $3.2 billion at the end of 1978. Mortgages insured by the Federal Housing Administration (including loans in Canada insured under the Canadian National Housing Act) have decreased for twelve consecutive years and amounted to $6.7 billion at year-end 1978.

A survey of the geographic distribution of the $96.8 billion in mortgage holdings of U.S. life companies at the end of 1977 showed that all but 3.2% were on properties located in the United States. By state, mortgage holdings were greatest in California where they totaled $12.9 billion.

By far the largest portion of mortgages on properties outside the United States in 1977 was $3.1 billion in Canada. Much of the investment outside the United States applies to reserves set aside in connection with policies bought by residents of foreign countries.

Gross Flow of Mortgage Loans in the United States 1978 *(In Millions of Dollars)*

U.S. Life Insurance Companies

Property Type and Type of Mortgage Loan	Held Start of Year	Acquisitions: Loan Originations	Acquisitions: Loan Purchases	Acquisitions: Total	Dispositions	Held Year-End
LAND	$ 458.7	*	*	$ 198.7	$ 124.7	$ 532.8
CONSTRUCTION						
Nonfarm Residential						
1-4 Family	2.7	*	*	.7	2.8	.7
Multifamily	6.3	*	*	7.3	7.8	5.8
Nonfarm, Nonresidential	320.5	*	*	329.7	227.8	422.4
Farm	—	—	—	—	—	—
Total Construction	329.5	*	*	337.8	238.4	428.9
LONG-TERM						
1-4 Family						
FHA	5,328.2	$ 147.2	$ 75.1	222.3	645.7	4,904.8
VA	3,348.2	184.2	76.8	261.0	444.1	3,165.1
Conventional	5,366.3	510.2	646.6	1,156.9	715.0	5,808.2
Total	14,042.6	841.7	798.5	1,640.2	1,804.8	13,878.0
Multifamily						
FHA	1,262.5	35.4	9.0	44.4	92.6	1,214.3
Conventional	16,625.5	1,762.9	48.1	1,811.0	1,378.9	17,057.6
Total	17,888.1	1,798.3	57.1	1,855.4	1,471.6	18,271.9
Nonfarm, Nonresidential	52,190.3	9,714.5	557.3	10,271.8	3,233.4	59,228.7
Farm	8,819.4	2,707.7	—	2,707.7	1,176.4	10,350.8
Total Long-Term	92,940.5	$15,062.2	$1,412.9	16,475.1	7,686.1	101,729.4
TOTAL	$93,728.7	*	*	$17,011.6	$8,049.2	$102,691.1

Note: Figures do not add to totals in some cases due to rounding.

*Breakdown not available.

Source: American Council of Life Insurance.

Mortgages Owned by U.S. Life Insurance Companies By State 1977 *(000 Omitted)*

State	Farm	Nonfarm F.H.A.	Nonfarm V.A.	Nonfarm Conventional	Total
Alabama	$ 53,300	$ 221,800	$ 146,800	$ 961,100	$ 1,383,000
Alaska	—	6,200	—	145,200	151,400
Arizona	139,800	79,500	26,400	1,030,200	1,275,900
Arkansas	334,200	57,400	29,200	364,600	785,400
California	1,295,900	674,500	310,000	10,656,900	12,937,300
Colorado	302,300	170,700	186,700	1,729,500	2,389,200
Connecticut	600	25,100	11,700	672,900	710,300
Delaware	1,300	20,300	7,000	180,000	208,600
D. C.	*	36,500	8,700	1,103,200	1,148,400
Florida	316,700	406,800	165,100	4,199,200	5,087,800
Georgia	165,300	196,800	100,600	2,585,700	3,048,400
Hawaii	10,900	37,200	8,200	913,500	969,800
Idaho	172,900	19,700	6,800	132,500	331,900
Illinois	464,200	272,400	187,300	4,252,100	5,176,000
Indiana	271,000	155,400	69,200	1,670,000	2,165,600
Iowa	628,000	110,400	83,600	579,500	1,401,500
Kansas	388,800	48,100	28,300	703,500	1,168,700
Kentucky	93,800	116,100	52,700	799,200	1,061,800
Louisiana	222,400	153,400	121,500	1,395,400	1,892,700
Maine	6,500	3,000	100	81,600	91,200
Maryland	8,400	110,500	67,900	2,172,900	2,359,700
Massachusetts	1,900	86,000	1,900	1,211,200	1,301,000
Michigan	50,400	204,700	52,000	2,461,300	2,768,400
Minnesota	292,100	125,800	75,600	1,320,800	1,814,300
Mississippi	247,100	97,000	57,500	392,800	794,400
Missouri	287,700	135,400	75,400	1,616,300	2,114,800
Montana	193,000	21,000	6,000	69,800	289,800
Nebraska	494,300	73,100	37,100	486,900	1,091,400
Nevada	54,800	23,800	8,800	332,300	419,700
New Hampshire	8,600	100	100	134,200	143,000
New Jersey	5,200	133,800	39,700	2,556,100	2,734,800
New Mexico	86,800	42,200	23,100	279,800	431,900
New York	14,900	256,300	18,900	4,164,500	4,454,600
North Carolina	92,200	140,800	122,500	1,518,700	1,874,200
North Dakota	45,400	2,600	1,900	83,100	133,000
Ohio	135,200	298,500	146,700	2,509,100	3,089,500
Oklahoma	196,200	142,100	67,800	891,000	1,297,100
Oregon	203,800	88,200	9,500	522,500	824,000
Pennsylvania	27,200	106,200	51,000	2,380,800	2,565,200
Rhode Island	—	5,800	400	60,600	66,800
South Carolina	17,700	129,500	77,000	653,600	877,800
South Dakota	99,600	9,900	1,800	72,800	184,100
Tennessee	44,800	241,700	110,100	1,474,800	1,871,400
Texas	749,100	625,800	413,800	8,163,800	9,952,500
Utah	14,200	43,800	21,500	422,100	501,600
Vermont	100	300	100	24,200	24,700
Virginia	33,200	199,500	192,400	2,651,200	3,076,300
Washington	339,900	290,900	65,000	1,025,100	1,720,900
West Virginia	5,000	38,100	17,000	100,600	160,700
Wisconsin	85,400	64,200	23,300	789,000	961,900
Wyoming	117,300	17,700	8,500	49,500	193,000
Puerto Rico	—	24,100	4,000	219,900	248,000
U.S. Territories and Possessions	—	—	—	3,300	3,300
TOTAL U.S.	$8,819,400	$6,590,700	$3,348,200	$74,970,400	$93,728,700
Canada	22,400	591,200**	—	2,457,900	3,071,500
Other Foreign	—	—	—	47,400	47,400
TOTAL	$8,841,800	$7,181,900	$3,348,200	$77,475,700	$96,847,600

*Less than $50,000

**Mortgages insured under the Canadian National Housing Act.

Source: American Council of Life Insurance.

Real Estate

U.S. life insurance companies increased their holdings of directly owned real estate to $11.8 billion at the end of 1978, an increase of $704 million or 6.4% during the year. This follows an increase of 5.6% in 1977.

The total of these holdings has moved upward steadily for almost three decades, making possible a variety of industrial and business facilities and housing for many families. Well over half of the growth in the last three years has been accounted for by real estate acquired for investment purposes. Holdings for the companies' own use have also increased as the growth in business has led to the need for additional space. Real estate amounted to 3% of the companies' assets at the end of 1978.

Investments in commercial and residential properties accounted for $8.0 billion, or 68% of the 1978 total real estate holdings; the life companies' own home and branch offices accounted for $2.5 billion or 21%; and the balance was accounted for by other types of real estate, mainly properties acquired in settlement of mortgage debt.

Life insurance companies were pioneers in the construction of large apartment complexes under their ownership. Many companies have encouraged the construction of shopping centers by purchasing them from developers and leasing them back for management. And some have been active in the construction of multipurpose skyscrapers and downtown centers whose ownership they retain.

A survey of the geographic distribution of the $8.3 billion in real estate owned by U.S. life insurance companies at the end of 1974 showed that all but 1.4% of the total were properties located in the United States. By far the largest part of real estate investment outside the United States was $112.8 million in Canada.

Real Estate

Owned by U.S. Life Insurance Companies *(000,000 Omitted)*

Year	Amount	% of Assets	Year	Amount	% of Assets
1890	$ 81	10.5	1963	$ 4,319	3.1
1895	125	10.8	1964	4,528	3.0
1900	158	9.1	1965	4,681	3.0
1905	171	6.3	1966	4,885	2.9
1910	173	4.5	1967	5,187	2.9
1915	173	3.3	1968	5,571	3.0
1920	172	2.3	1969	5,912	3.0
1925	266	2.3	1970	6,320	3.0
1930	548	2.9	1971	6,904	3.1
1935	1,990	8.6	1972	7,295	3.0
1940	2,065	6.7	1973	7,693	3.0
1945	857	1.9	1974	8,331	3.2
1950	1,445	2.2	1975	9,621	3.3
1955	2,581	2.9	1976	10,476	3.3
1960	3,765	3.1	1977	11,060	3.2
1961	4,007	3.2	1978	11,764	3.0
1962	4,107	3.1			

Sources: Spectator Year Book *and American Council of Life Insurance.*

Policy Loans

Life insurance company loans to policyholders against the cash values of their life policies amounted to $30.1 billion in 1978, a net increase of $2.6 billion after repayment. This increase almost equals the record increase of 1974, the year interest rates soared to all time highs.

Policy loans outstanding accounted for 7.8% of company assets at year-end 1978. This percentage had been dropping steadily from the recent peak of 8.7% in 1974. The amount of policy loans has been increasing for more than two decades. They did not, however, exceed 5% of company assets between 1945 and 1965.

The amount of policy loans outstanding increased 49% between 1973 and 1978. The relatively large increases during the past several years are related to the general levels of interest rates on other forms of borrowing. The interest rate guaranteed in a life insurance policy has been relatively lower than could be obtained elsewhere.

Tight money conditions led to sharp increases in policy loans in 1973 and 1974. The trend indicated that a policy loan interest rate more closely related to the general level of interest rates would be appropriate. Legislation recently enacted in almost all states has permitted higher rates in the loan provision of new policies.

Life companies must make policy loans from funds that they would otherwise invest. Since premium rates are based in part on an anticipated investment return, interest must be charged on the loans. At the same time, the amount of a policy's protection is reduced by the amount of a loan, and policyholders are advised by their life companies that an outstanding loan can seriously impair a family's insurance planning. None of the amounts of policy loans shown here include loans made to policyholders by banks or by other lending institutions holding the borrowers' life insurance policies as collateral.

Policy Loans

U.S. Life Insurance Companies *(000,000 Omitted)*

Year	Amount	% of Assets	Year	Amount	% of Assets
1890	$ 20	2.6	1965	$ 7,678	4.8
1895	36	3.1	1966	9,117	5.5
1900	89	5.1	1967	10,059	5.7
1905	226	8.3	1968	11,306	6.0
1910	495	12.8	1969	13,825	7.0
1915	780	15.0	1970	16,064	7.8
1920	859	11.7	1971	17,065	7.7
1925	1,446	12.5	1972	18,003	7.5
1930	2,807	14.9	1973	20,199	8.0
1935	3,540	15.2	1974	22,862	8.7
1940	3,091	10.0	1975	24,467	8.5
1945	1,962	4.4	1976	25,834	8.0
1950	2,413	3.8	1977	27,556	7.8
1955	3,290	3.6	1978	30,146	7.8
1960	5,231	4.4			

Sources: Spectator Year Book *and American Council of Life Insurance.*

Miscellaneous Assets

U.S. life insurance companies held $24.1 billion in miscellaneous assets at the end of 1978.

Two major components accounting for two-thirds of the total are due and deferred premiums, and interest and other investment income due and accrued. Due and deferred premiums are premiums that had not yet been received at the end of the year, but for which reserves had been established by the companies. Due and accrued investment income is income that had been earned but not yet received.

Another major item is cash holdings, relatively moderate amounts of which are needed for prompt payments to beneficiaries, policy loans and other services. Other miscellaneous assets illustrate a variety of investment outlets. Assets in the miscellaneous category include electronic data processing equipment, and oil, mineral and timber rights. Life insurance companies have also made investments in the Alaska pipeline.

Many life companies own equipment for lease-back to other businesses. At year-end 1978, $91 million was invested in transportation equipment, including jet aircraft, railroad cars and automotive fleets. Another $1.2 billion reported under miscellaneous assets was invested in real estate joint ventures. Under these holdings, the life company forms a partnership with others to share in the ownership, operation, risk and profit of the property.

Miscellaneous Assets

U.S. Life Insurance Companies *(000,000 Omitted)*

Year	Amount	% of Assets	Year	Amount	% of Assets
1890	$ 89	11.5	1925	$ 604	5.3
1895	111	9.6	1930	977	5.2
1900	192	11.0	1935	1,705	7.3
1905	201	7.4	1940	1,977	6.3
1910	191	4.9	1945	1,738	3.9
1915	282	5.4	1950	2,591	4.1
1920	474	6.5	1955	3,742	4.1

Year	Cash	Due and Deferred Premiums	Due and Accrued Investment Income	Other	Total Amount	% of Assets
1960	$1,330	$ 2,379	$1,006	$ 558	$ 5,273	4.4
1965	1,503	3,303	1,403	1,025	7,234	4.5
1966	1,547	3,673	1,529	1,048	7,797	4.6
1967	1,576	3,963	1,674	1,214	8,427	4.7
1968	1,682	4,302	1,813	1,353	9,150	4.8
1969	1,634	4,688	1,985	1,657	9,964	5.0
1970	1,758	5,118	2,185	1,848	10,909	5.3
1971	1,763	5,436	2,404	2,229	11,832	5.3
1972	1,981	5,976	2,679	2,491	13,127	5.5
1973	2,071	6,376	2,932	2,678	14,057	5.6
1974	1,999	7,086	3,263	3,037	15,385	5.8
1975	1,925	7,744	3,741	3,564	16,974	5.9
1976	2,003	8,375	4,349	3,775	18,502	5.7
1977	2,130	9,284	5,048	4,589	21,051	6.0
1978	2,367	10,349	5,844	5,550	24,110	6.2

Sources: Spectator Year Book *and American Council of Life Insurance.*

Assets Held In Separate Accounts

Separate account investments totaled $20.4 billion at the end of 1978. Holdings in these accounts increased by $3.1 billion, or 18%, during the year.

Of the total amount held, about $11.5 billion, or 56%, was in common stocks, compared with $10.9 billion, or 63%, at the end of 1977. Acquisitions of common stocks for separate accounts amounted to $3.4 billion in 1978. Over $3.4 billion of common stocks were disposed of during the year.

Holdings in bonds increased 45% to over $6.6 billion during 1978.

Mutual life insurance companies, which are generally older and larger than the stockholder-owned companies, had 56% of their separate account investments in common stocks. For stock companies the proportion was nearly the same, 57%. For stock and mutual companies combined, 32% was in various types of bonds, 6% was in real estate and the remaining 6% was in other types of investments.

Separate accounts were first used by U.S. life insurance companies in connection with their pension business in the early 1960s. A separate account is a fund established by a life insurance company and held separately from all other assets. State laws provide that assets in separate accounts may be invested without regard to the restrictions that are usually placed on the general investments of life companies. Thus, a separate account portfolio might be comprised of only common stocks, only bonds, only mortgages, or some combination of these investments.

While separate accounts have been used primarily to fund individual and group annuities, the introduction of variable life insurance will increase the use of separate accounting for life insurance purposes. At the end of 1978, three life companies had established separate accounts to back variable life insurance policies.

Distribution of Assets Held in Separate Accounts

U.S. Life Insurance Companies *(000,000 Omitted)*

Year	Bonds	Stocks		Mortgages	Real Estate	Cash	Other	Total
		Common	Preferred					
1967	$ 114	$ 1,055	$ 9	$ 14	*	$13	$ 2	$ 1,207
1968	233	1,915	31	20	$ 1	48	21	2,269
1969	638	2,745	48	36	1	52	99	3,619
1970	878	3,955	86	37	2	69	34	5,061
1971	763	6,416	83	87	24	88	62	7,523
1972	948	8,673	71	120	96	68	82	10,058
1973	1,561	7,900	53	171	186	64	75	10,030
1974	2,326	6,158	34	202	372	57	127	9,276
1975	2,553	9,277	46	200	563	55	279	12,973
1976	2,750	12,152	67	214	653	41	346	16,223
1977	4,569	10,946	51	268	803	43	678	17,358
1978	6,604	11,493	35	311	1,146	45	792	20,426

Note: In 1978, 123 U.S. life companies had assets in separate accounts, compared with 125 companies in 1977 and 123 in 1976.

*Less than $500,000.

Source: American Council of Life Insurance.

LIFE INSURANCE COMPANIES

The number of U.S. legal reserve life insurance companies in business at the end of 1978 totaled an estimated 1,824.

Growth in the number of companies was most rapid between the end of World War II and 1970. The number of companies reached an all time high in 1978 following a period of relative decline. The data shown here do not include fraternal benefit societies although they operate on a legal reserve basis.

The great majority of companies added through the years were newly-formed organizations. The others had converted from fraternal and assessment life insurers, or from nonlife insurers, to a legal reserve life company status. Some had been formed by consolidation of two or more existing companies. Others were set up to take over the business of another company. Still others had been reactivated after being dormant. (Companies not actively in business are not included in the total, even though they may be chartered and licensed.)

Most companies that discontinued operations did so by merging with or into other insurers or had all their outstanding business reinsured in other life insurance companies. The remaining companies terminated for various reasons, including conversion to nonlife company status.

The majority of small new companies formed in recent years remain in business. By specializing in meeting the needs of families in specific regions, many have been able to compete successfully with older and larger companies whose operations encompass larger areas.

Of the companies in business at mid-1978, there were at least two domiciled in each state with the exception of Alaska, which has one. Arizona had the largest number, followed by Texas and Louisiana.

Number of U.S. Life Insurance Companies

Year	Number	Year	Number	Year	Number
1759	1	1905	126	1965	1,629
1760	1	1910	284	1966	1,704
1770	2	1915	295	1967	1,715
1780	2	1920	335	1968	1,763
1790	3	1925	379	1969	1,773
1800	4	1930	438	1970	1,780
1810	2	1935	373	1971	1,765
1820	6	1940	444	1972	1,753
1830	9	1945	473	1973	1,766
1840	15	1950	649	1974	1,757
1850	48	1955	1,107	1975	1,746
1860	43	1960	1,441	1976	1,742
1870	129	1961	1,448	1977	1,789
1880	59	1962	1,469	1978	1,824
1890	60	1963	1,488		
1900	84	1964	1,547		

Note: Data for 1977 are revised. The figure for 1978 is preliminary.

Sources: Marketing Life Insurance *(J. Owen Stalson), American Council of Life Insurance and* Best's Review.

In 1976 (the latest year for which data are available), most stock companies were located in either the South, 38%, or the West, 33%, with the remaining companies in the North Central region, 20%, and the Northeast, 9%. Mutual companies were domiciled predominantly in the North Central region, 54% of the total, followed by 28% in the Northeast, 15% in the South and 4% in the West.

Of the companies in business at mid-year 1978, a total of 1,680, or 92%, were owned by stockholders. The remaining 141 were mutual companies. Mutual companies, which are generally older and larger than the stockholder-owned companies, had about three-fifths of the assets of all U.S. life companies and accounted for 51% of life insurance in force. In the past 12 years, four companies have converted from the status of a mutual company to a stock company and one stock company has converted to a mutual. During the last six months of 1976, a merger of two mutual companies occurred, and during 1977, two new mutual companies commenced business.

At year-end 1977 (the latest year for which data are available), there were 166 life insurance companies that had been in business more than 50 years. Among these, 31 were at least a century old. In each of the four geographic divisions of the United States there was at least one company that commenced business 100 years ago or earlier.

The older companies, those over 100 years old, held the majority of assets and life insurance in force at the end of 1975, 67.5% and 52.6%, respectively. Companies in business between 50 and 100 years accounted for 18.0% of the assets and 19.9% of the total in force. Younger companies — those in business for 25 to 50 years — had 7.6% of the assets and 11.8% of the life insurance in force. The relatively newer companies, those in business less than 25 years, had 6.9% of assets and 15.7% of the insurance in force.

Number of U.S. Life Insurance Companies by State Mid-Year 1978

State	Number	State	Number	State	Number
Alabama	35	Louisiana	95	Oklahoma	60
Alaska	1	Maine	4	Oregon	7
Arizona	436	Maryland	14	Pennsylvania	60
Arkansas	24	Massachusetts	18	Rhode Island	8
California	54	Michigan	23	South Carolina	28
Colorado	25	Minnesota	22	South Dakota	9
Connecticut	17	Mississippi	20	Tennessee	23
Delaware	32	Missouri	41	Texas	188
D.C.	9	Montana	3	Utah	12
Florida	37	Nebraska	28	Vermont	3
Georgia	27	Nevada	2	Virginia	15
Hawaii	8	New Hampshire	4	Washington	21
Idaho	6	New Jersey	15	West Virginia	2
Illinois	89	New Mexico	8	Wisconsin	27
Indiana	54	New York	65	Wyoming	3
Iowa	33	North Carolina	21		
Kansas	20	North Dakota	9	Total U.S.	1,821
Kentucky	14	Ohio	42		

Note: Data are based on reports from individual state insurance departments. These companies are considered legal reserve life insurance companies by their respective state insurance departments but may not meet the requirements for this classification as set by other states.

Source: American Council of Life Insurance.

Change in Number of U.S. Life Insurance Companies in Business in the United States

Year	In Business Start of Year			New Operations	Discontinued	In Business Year-End			Net Changes During Year
	Stock	Mutual	Total			Stock	Mutual	Total	
1950	478	133	611	44	6	507	142	649	+ 38
1951	507	142	649	50	20	531	148	679	+ 30
1952	531	148	679	62	11	567	163	730	+ 51
1953	567	163	730	117	15	661	171	832	+ 102
1954	661	171	832	115	30	753	164	917	+ 85
1955	753	164	917	216	26	942	165	1,107	+ 190
1956	942	165	1,107	133	49	1,035	156	1,191	+ 84
1957	1,035	156	1,191	120	38	1,119	154	1,273	+ 82
1958	1,119	154	1,273	142	50	1,212	153	1,365	+ 92
1959*	1,212	153	1,365	125	65	1,273	152	1,425	+ 60
1960	1,273	152	1,425	96	80	1,286	155	1,441	+ 16
1961	1,286	155	1,441	87	80	1,292	156	1,448	+ 7
1962	1,292	156	1,448	101	80	1,312	157	1,469	+ 21
1963	1,312	157	1,469	86	67	1,332	156	1,488	+ 19
1964	1,332	156	1,488	131	72	1,393	154	1,547	+ 59
1965	1,393	154	1,547	149	67	1,475	154	1,629	+ 82
1966	1,475	154	1,629	156	81	1,550	154	1,704	+ 75
1967	1,550	154	1,704	90	79	1,561	154	1,715	+ 11
1968	1,561	154	1,715	112	64	1,608	155	1,763	+ 48
1969	1,608	155	1,763	74	64	1,619	154	1,773	+ 10
1970	1,619	154	1,773	73	66	1,627	153	1,780	+ 7
1971	1,627	153	1,780	49	64	1,612	153	1,765	— 15
1972	1,612	153	1,765	76	88	1,603	150	1,753	— 12
1973	1,603	150	1,753	75	62	1,619	147	1,766	+ 13
1974	1,619	147	1,766	73	82	1,612	145	1,757	— 9
1975	1,612	145	1,757	63	74	1,603	143	1,746	— 11
1976	1,603	143	1,746	85	89	1,601	141	1,742	— 4
1977	1,601	141	1,742	89	42	1,647	142	1,789	+ 47
1978	1,647	142	1,789	N.A.	N.A.	N.A.	N.A.	1,824	N.A.

Note: Data for 1977 are revised. The figure for year-end 1978 is preliminary. A change in domicile is reflected in both new and discontinued operations.

N.A.—Not available.

*Includes seven companies domiciled in Alaska and Hawaii which were started in earlier years.

Source: American Council of Life Insurance.

Number of U.S. Life Insurance Companies in Business Year-End 1977

Year Commenced Business	Stock	Mutual	Total
1875 and Prior	8	23	31
1876-1925	101	34	135
1926-1950	191	39	230
1951-1960	412	24	436
1961-1970	598	21	620
1971-1977	337	1	294
Total	1,647	142	1,789

Source: American Council of Life Insurance.

EMPLOYMENT IN INSURANCE

The insurance business in the United States employed an average of 1,776,000 people in all of its branches in 1978. Women accounted for 54% of all employees.

Government data on employees of insurance agencies and home offices in 1978 on an establishment basis show a total of 1,193,800 insurance home office personnel (522,500 in life insurance) and 392,800 insurance agents, brokers and service personnel. Women accounted for 59% of home office personnel (52% of life insurance home office personnel), and 61% of the agents, brokers and service personnel. These data do not include 189,400 independent agents and agency staff employees.

During 1967, the most recent year for which detailed data are available, some 740,000 persons worked in life insurance, either exclusively or together with other kinds of insurance. About 570,000 persons worked solely in other branches of insurance, mostly property, casualty and liability lines, bringing the total in that year to 1,310,000.

Employment in the insurance business continues to rise. However, increases in personnel have been relatively smaller than increases in sales, indicating larger unit sales and more efficiency in handling the detailed records necessary in any insurance operation. Automation is particularly suitable for many phases of insurance work and has contributed measurably to efficiency.

Sales personnel numbered about 450,000 in 1967. Almost half of them—220,000 persons—derived from 50% to 100% of their income from the sale of life insurance; the other 230,000 derived less than 50%.

In 1967, the insurance business employed 690,000 men and 620,000 women. The sales force was predominantly male, but women outnumbered men in nonsales work. Nearly 75% of nonsales personnel were clerical, and of these about 80% were women. Close to 20% of nonsales workers were in managerial positions, while the remaining 6% of workers were professional or technical.

Number of Persons Employed in Insurance in the United States

Year	Annual Average
1945	600,000
1950	800,000
1955	900,000
1960	1,105,000
1965	1,225,000
1970	1,460,000
1971	1,490,000
1972	1,530,000
1973	1,575,000
1974	1,620,000
1975	1,640,000
1976	1,675,000
1977	1,690,000
1978	1,776,000

Source: American Council of Life Insurance.

LIFE EXPECTANCY

The average length of a person's life in the United States has increased by more than 50% during this century.

Most of the improvement in life expectancy took place during the first half of the century. Little change has occurred since the mid-1950s. Between 1900 and 1955, life expectancy increased by 22.3 years, but since 1955, it has increased by only 3.6 years to 73.2 years in 1977.

But while this century's advances in medicine, public health and safety have added to people's lives, the benefits have not been distributed equally. By far the largest increase in life expectancy has been among the newborn as a result of sharp reductions in mortality among infants and young children. Increases in life expectancy have been progressively smaller at older ages, and smaller for men than for women at all ages.

The measure of life expectancy results from the calculation of the average number of years of life that remain to a group of persons now at the same age, based on a particular mortality table. The measurement refers to the entire group and cannot be taken to indicate how long a particular individual may expect to live.

The gain in life expectancy for women since the turn of the century has been greater than for men at nearly all ages. Female life expectancy at birth has increased by 28.8 years since 1900, while male life expectancy has increased by 23.0 years. The difference in the average length of life between men and women has increased. Life expectancy at age 40 was about 1.4 years longer for a woman than for a man at the turn of the century; it is now 6.4 years longer.

Expectation of Life at Birth in the United States (Years)

Year	White			All Other			Total		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
1900	46.6	48.7	47.6	32.5	33.5	33.0	46.3	48.3	47.3
1910	48.6	52.0	50.3	33.8	37.5	35.6	48.4	51.8	50.0
1920	54.4	55.6	54.9	45.5	45.2	45.3	53.6	54.6	54.1
1930	59.7	63.5	61.4	47.3	49.2	48.1	58.1	61.6	59.7
1940	62.1	66.6	64.2	51.5	54.9	53.1	60.8	65.2	62.9
1950	66.5	72.2	69.1	59.1	62.9	60.8	65.6	71.1	68.2
1960	67.4	74.1	70.6	61.1	66.3	63.6	66.6	73.1	69.7
1961	67.8	74.5	71.0	61.9	67.0	64.4	67.0	73.6	70.2
1962	67.6	74.4	70.9	61.5	66.8	64.1	66.8	73.4	70.0
1963	67.5	74.4	70.8	60.9	66.5	63.6	66.6	73.4	69.9
1964	67.7	74.6	71.0	61.1	67.2	64.1	66.9	73.7	70.2
1965	67.6	74.7	71.0	61.1	67.4	64.1	66.8	73.7	70.2
1966	67.6	74.7	71.0	60.7	67.4	64.0	66.7	73.8	70.1
1967	67.8	75.1	71.3	61.1	68.2	64.6	67.0	74.2	70.5
1968	67.5	74.9	71.1	60.1	67.5	63.7	66.6	74.0	70.2
1969	67.8	75.1	71.3	60.5	68.4	64.3	66.8	74.3	70.4
1970	68.0	75.6	71.7	61.3	69.4	65.3	67.1	74.8	70.9
1971	68.3	75.8	72.0	61.6	69.7	65.6	67.4	75.0	71.1
1972	68.3	75.9	72.0	61.5	69.9	65.6	67.4	75.1	71.1
1973	68.4	76.1	72.2	61.9	70.1	65.9	67.6	75.3	71.3
1974	68.9	76.6	72.7	62.9	71.2	67.0	68.2	75.9	71.9
1975	69.4	77.2	73.2	63.6	72.3	67.9	68.7	76.5	72.5
1976	69.7	77.3	73.5	64.1	72.6	68.3	69.0	76.7	72.8
1977	70.0	77.7	73.8	64.6	73.1	68.8	69.3	77.1	73.2

Source: National Center for Health Statistics, U.S. Department of Health, Education and Welfare.

In contrast, the difference in life expectancy between white and nonwhite Americans has been greatly reduced in this century. Generally, the gain for nonwhite males has exceeded that for white males at all ages. Nonwhite females showed the greatest gains at the younger and older ages. For white females, life expectancy improved most between the ages of about 45 and 65.

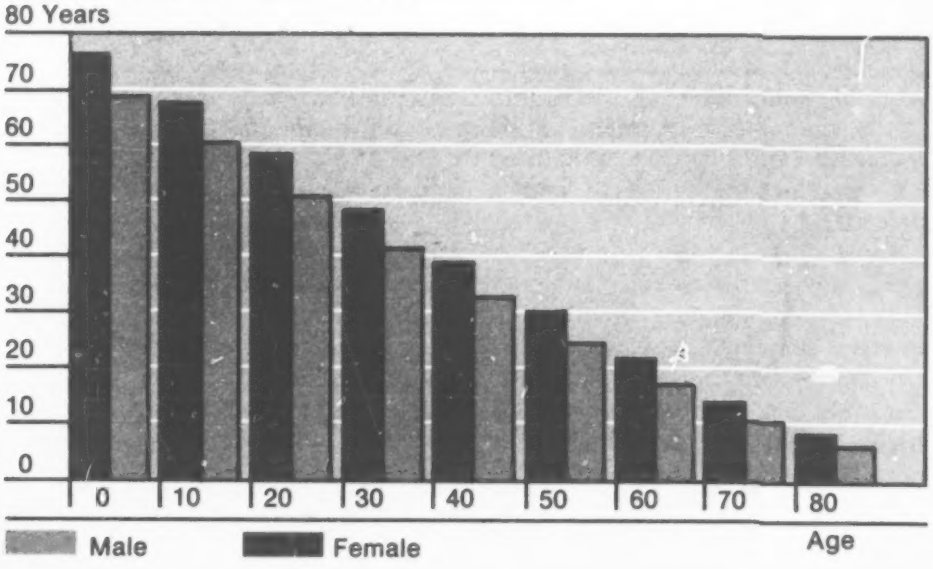
In 1977, the difference in life expectancy between white and nonwhite persons at birth was 4.6 years for females and 5.4 years for males, and this difference decreased with age.

Expectation of Life at Various Ages in the United States 1977

	White			All Other			Total		
Age	Male	Female	Total	Male	Female	Total	Male	Female	Total
0	70.0	77.7	73.8	64.6	73.1	68.8	69.3	77.1	73.2
1	70.0	77.6	73.8	65.2	73.6	69.4	69.4	77.1	73.2
5	66.2	73.7	69.9	61.5	69.8	65.6	65.6	73.2	69.4
10	61.3	68.8	65.0	56.6	65.0	60.8	60.8	68.3	64.5
15	56.5	63.9	60.2	51.8	60.0	55.9	55.9	63.4	59.6
20	51.9	59.1	55.4	47.2	55.2	51.2	51.3	58.6	54.9
25	47.3	54.3	50.8	42.8	50.5	46.6	46.8	53.8	50.3
30	42.7	49.4	46.1	38.6	45.8	42.2	42.2	49.0	45.6
35	38.0	44.6	41.3	34.3	41.2	37.7	37.6	44.2	40.9
40	33.4	39.8	36.6	30.2	36.7	33.4	33.1	39.5	36.3
45	29.0	35.2	32.1	26.3	32.4	29.3	28.7	34.9	31.8
50	24.7	30.7	27.7	22.7	28.3	25.5	24.5	30.4	27.5
55	20.8	26.4	23.6	19.4	24.5	21.9	20.6	26.2	23.5
60	17.1	22.3	19.8	16.5	21.0	18.7	17.0	22.1	19.7
65	13.9	18.4	16.3	14.0	17.8	16.0	13.9	18.3	16.3
70	11.1	14.8	13.1	11.4	14.5	13.1	11.1	14.7	13.1
75	8.6	11.5	10.3	9.7	12.5	11.2	8.7	11.6	10.4
80	6.8	8.8	8.0	8.7	11.3	10.2	6.9	9.0	8.2
85 and Over	5.3	6.8	6.2	7.3	9.6	8.7	5.5	6.9	6.4

Source: National Center for Health Statistics, U.S. Department of Health, Education and Welfare.

Expectation of Life at Various Ages in the United States 1977



CAUSES OF DEATH

In recent decades, the overall death rate of the U.S. population has decreased due to medical developments, improvements in public health and job safety, and rising standards of living. The death rate continued to decline in 1978 to the lowest rate ever recorded.

Medical improvements and environmental changes have been more effective in reducing deaths from some causes than others. There has been increasing success in identifying and controlling contagious diseases, but there has been less success in controlling deaths from accidental causes.

In 1978, the deaths of 7 out of 10 ordinary life insurance policyholders with U.S. life companies were due to two principal causes: cardiovascular-renal diseases and cancer.

Since the 1950s, deaths attributable to cardiovascular-renal diseases have decreased slightly, whereas cancer has been an increasing cause of death. These trends have followed those of the general population of the United States.

The percentage of deaths due to cardiovascular-renal diseases declined to 48.8% of all deaths in 1978. Deaths due to ischemic heart disease and chronic disease of endocardium and other myocardial insufficiencies were 31.7% in 1978. Cerebrovascular diseases also declined to 6.1%. The decline in these latter causes of death in recent years has accounted for most of the decline in the percentage of deaths due to cardiovascular-renal disease. Heart disease has decreased significantly in recent years and has affected the overall declining death rate.

The proportion of deaths due to cancer continued to increase; 22.4% of policyholder deaths were attributed to this cause.

Motor vehicle accidents are another major cause of death. Between 1965 and 1973, motor vehicle deaths annually accounted for 3.5% or 3.6% of policyholder deaths. In 1974 motor vehicle accidents accounted for 3.0% of policyholder deaths, but the percentage has been rising since then, to 3.3% in 1978.

Bronchitis and other respiratory diseases accounted for 3.1% of policyholder deaths. Pneumonia and influenza combined were responsible for 2.7% of deaths, while cirrhosis of the liver represented 1.2%.

The percentage of deaths attributable to accidents, other than those involving motor vehicles, amounted to 2.7% of policyholder deaths in 1978. Two other external causes of death, suicide and homicide, represented 2.5% of deaths.

Over the years, the nation's life insurance companies have made significant contributions to basic research relating to causes of death. The recent focus of individual company contributions and research grants has been in the areas of delivery of health care services and preventive medicine. The Insurance Medical Scientist Scholarship Fund, supported by insurance company contributions, provides scholarships for students planning careers in medical research and teaching.

Distribution of Ordinary Policyholder Deaths by Cause U.S. Life Insurance Companies

Cause of Death	1945	1950	1955	1960	1965	1970
NATURAL CAUSES						
Cardiovascular-renal Disease	49.3%	57.0%	57.2%	55.7%	53.9%	52.1%
Cancer	14.8	17.3	18.6	18.7	19.2	20.1
Pneumonia and Influenza	3.1	1.9	2.0	3.2	3.1	3.3
Tuberculosis (all forms)	2.8	1.3	.5	.3	.2	.1
Diabetes	1.5	1.3	.9	1.0	1.1	1.0
Other Diseases*	18.2	12.0	12.3	13.1	13.6	14.5
Total Natural Causes	89.7	90.8	91.5	92.0	91.1	91.1
EXTERNAL CAUSES						
Motor Vehicle Accidents	2.3	3.1	3.1	2.9	3.6	3.5
Other Accidents	5.9	3.6	3.2	3.1	3.2	3.1
Suicide	1.9	2.2	2.0	1.8	1.8	1.7
Homicide	.2	.3	.2	.2	.3	.6
Total External Causes	10.3	9.2	8.5	8.0	8.9	8.9
Total All Causes	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Cause of Death	1973	1974	1975	1976	1977	1978
NATURAL CAUSES						
Cardiovascular-renal Disease						
Diseases of the Heart and Hypertension						
Ischemic Heart Disease and Other Myocardial Insufficiencies	32.9%	32.6%	32.3%	32.0%	31.6%	31.7%
Hypertensive Heart Disease and Hypertension	1.8	1.4	1.3	1.3	1.2	1.2
Other Diseases of the Heart	4.1	4.5	4.6	5.3	5.7	5.4
Total Diseases of the Heart	38.8	38.5	38.2	38.6	38.5	38.3
Cerebrovascular Disease	7.1	7.0	6.7	6.5	6.4	6.1
Arteriosclerosis and Other Diseases of Arteries, Arteriolas and Capillaries	3.4	3.3	3.3	2.9	2.9	2.9
Other	1.6	1.6	1.6	1.5	1.5	1.5
Total Cardiovascular-renal	50.9	50.4	49.8	49.5	49.3	48.8
Cancer	20.1	20.7	21.4	21.9	22.3	22.4
Pneumonia and Influenza	2.9	2.7	2.8	2.9	2.6	2.7
Diabetes	1.0	1.1	1.0	1.0	.9	.9
Other Diseases						
Bronchitis and Other Respiratory Diseases	2.9	2.9	2.9	3.0	3.0	3.1
Cirrhosis	1.4	1.4	1.3	1.3	1.2	1.2
Other*	11.9	12.0	12.0	11.8	12.1	12.4
Total Other Diseases	16.2	16.3	16.2	16.1	16.3	16.7
Total Natural Causes	91.1	91.2	91.2	91.4	91.4	91.5
EXTERNAL CAUSES						
Motor Vehicle Accidents	3.5	3.0	3.0	3.1	3.1	3.3
Other Accidents	3.1	3.3	3.1	2.9	2.9	2.7
Suicide	1.6	1.7	1.8	1.8	1.8	1.7
Homicide	.7	.8	.9	.8	.8	.8
Total External Causes	8.9	8.8	8.8	8.6	8.6	8.5
Total All Causes	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note: A small number classified as "War Deaths" is included in "Other Diseases" in the data for 1960 and 1965; in other years the category is excluded. If "War Deaths" were included in the 1978 data, this category would be .02% of the resulting distribution.

*Includes those causes not specified.

Source: American Council of Life Insurance.

Death Rate

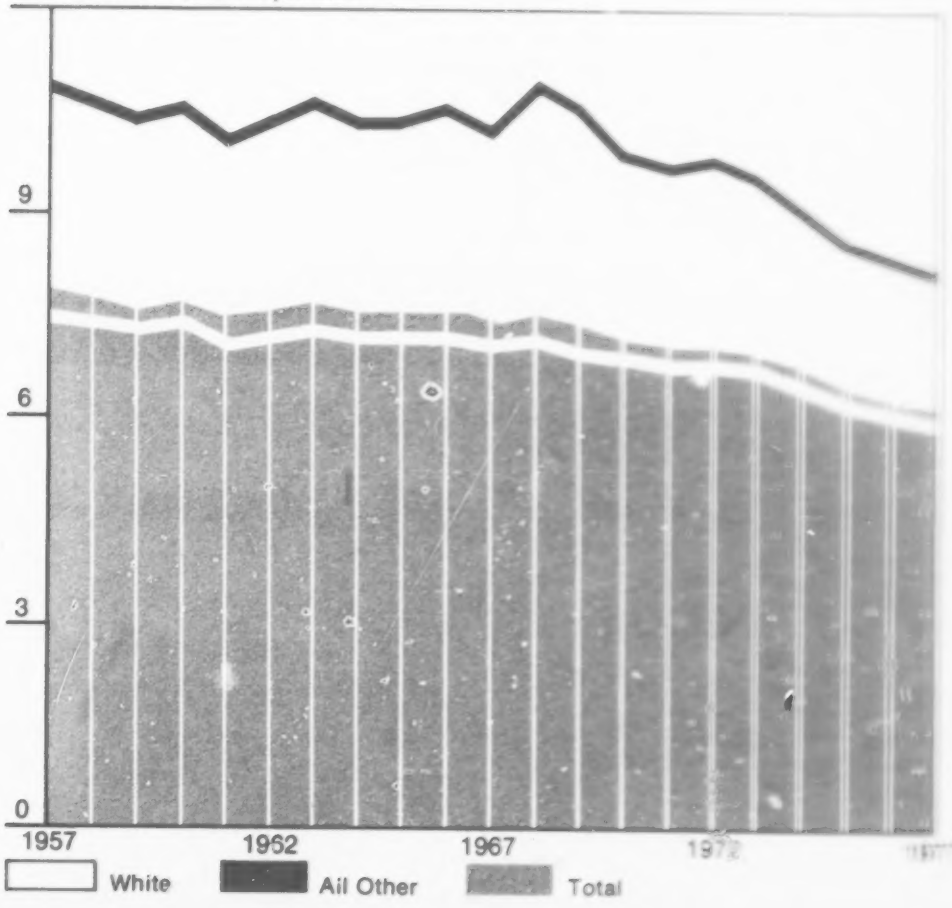
Mortality among Americans, as measured by the death rate, has decreased in recent years, after remaining at about the same level for more than a decade.

The age-adjusted death rate (technically adjusted for the changing proportion of people at each age in the U.S. population) was 6.1 per thousand in 1977 (the latest year for which data are available), the lowest rate ever recorded. In 1967, the age-adjusted rate was 7.3. From 1967 to 1972 there was a 4.1% drop to 7.0. The drop from 1972 to 1977 was even more significant — a decrease of 12.9%.

The decrease in mortality reflects continuing downtrends for two causes of death: diseases of the heart and cerebrovascular diseases. These two causes, which accounted for 42.2% of the 1977 age-adjusted mortality rate, have decreased 5.8% from 1972 to 1977, compared to 3.2% from 1967 to 1972. The mortality decline would have been even greater were it not for increases in the rates for cancer, suicide and homicide.

For 1977 the age-adjusted death rate for the male population was 8.1 per thousand, compared with the female rate of 4.5 per thousand. Similarly, the

Age-Adjusted Death Rate in the United States



rate for persons of races other than white was 8.1 per thousand, compared with a rate of 5.9 per thousand for white persons.

During the first half of this century there was a sharp decline in the death rate due to advances in medicine. This decline resulted in a reduction of deaths at young and middle ages, so that many more people now live into their seventies and eighties.

Between 1950 and 1970, however, there was relatively little change in the overall death rate for the total population. As the seventies began, the death rate began to decline more noticeably, falling from 7.3 per thousand in 1969 to 6.1 per thousand in 1977. During the same period, the death rate for nonwhites declined even more significantly, from 10.2 per thousand to 8.1 per thousand. Since 1969, the overall death rate for women has dropped more significantly than the death rate for men. The rate per thousand for men declined from 9.5 per thousand to 8.1, a decrease of 14.7%; for women the change was from 5.4 per thousand in 1969 to 4.5 per thousand in 1977, a decrease of 16.7%.

Because life insurance policyholders as a group represent a large proportion of the total population, their overall mortality rates are likely to parallel those for the nation as a whole. Even though the actual experience of a particular life company may differ from the general pattern, long-term population mortality trends are a useful indicator of the probable experience of most life companies. If the general death rate in the United States declines, the rate among life insurance policyholders is likely to drop.

The major causes of death among policyholders of ordinary life insurance in 1978, as in recent decades, were cardiovascular-renal diseases and cancer.

Death Rate in the United States

Age-Adjusted Rate Per 1,000 Population

Year	Male	Female	Total	Year	Male	Female	Total
1915	15.4	13.4	14.4	1965	9.5	5.6	7.4
1920	14.7	13.8	14.2	1966	9.5	5.6	7.4
1925	13.8	12.2	13.0	1967	9.4	5.5	7.3
1930	13.5	11.3	12.5	1968	9.7	5.6	7.4
1935	12.9	10.4	11.6	1969	9.5	5.4	7.3
1940	12.1	9.4	10.8	1970	9.3	5.3	7.1
1945	11.1	8.0	9.5	1971	9.2	5.2	7.0
1950	10.0	6.9	8.4	1972	9.2	5.2	7.0
1955	9.3	6.1	7.7	1973	9.1	5.1	6.9
1960	9.5	5.9	7.6	1974	8.8	4.9	6.7
1961	9.2	5.7	7.4	1975	8.5	4.7	6.4
1962	9.4	5.8	7.5	1976	8.3	4.6	6.3
1963	9.6	5.8	7.6	1977	8.1	4.5	6.1
1964	9.4	5.7	7.4				

Note: Some data are revised from previous editions. Rates have been computed using the 1940 age distribution of the United States population as the standard population. Figures for 1915-1930 are for Death Registration States only; 1935-1977 are for the United States.

Source: National Center for Health Statistics, U.S. Department of Health, Education and Welfare.

SELECTION OF RISKS

The great majority of Americans who apply for life insurance are able to get it. About 97% of the applications for ordinary life insurance in the United States are accepted by the life companies, according to the latest in a series of surveys.

Only 3% of ordinary life applications are not acceptable. More than two-thirds of these applicants have serious health impairments, while the remainder are declined because of other factors, including extremely hazardous jobs.

Life companies have been successful over the years in solving the problems presented by two conflicting underwriting objectives. The selection procedures must provide the benefit of life insurance protection to the greatest possible number of people. Yet, in fairness to all policyholders, life insurance companies must take into account individual differences among applicants, such as age, family health background, medical history, occupation and avocation.

With the applicant's written consent, statements about health or risk activities can be checked with the Medical Information Bureau, an association of member life insurance companies founded by medical directors to alert underwriters to inaccuracies, omissions and willful attempts at fraud. The life insurance company may also ask the family physician for additional details about an applicant's health, with the applicant's permission.

Several developments have contributed to the high rate of acceptance of applicants. Extra-risk life insurance policies, with higher premiums to compensate for poor health or hazardous occupations, have made insurance available to many who could not otherwise obtain it. And advances in medicine, job safety and public health have led to more liberal underwriting of policies, enabling many persons to buy insurance at standard rates who would

Ordinary Life Insurance Applications in the United States

	1972		1976	
	Number of Policies	Amount	Number of Policies	Amount
ISSUED AND PAID FOR				
Standard	85%	79%	84%	79%
Extra-Risk	4	5	5	5
Total	89	84	89	84
NOT TAKEN BY APPLICANT				
Standard	7	10	7	10
Extra-Risk	1	3	1	3
Total	8	13	8	13
DECLINED BY COMPANY	3	3	3	3
TOTAL	100%	100%	100%	100%

Note: Data for 1972 do not include individual credit life insurance on loans of more than ten years' duration.

Source: American Council of Life Insurance.

formerly have had to pay higher premiums because of their health or occupations.

In 1979, the Society of Actuaries and the Association of Life Insurance Medical Directors released preliminary findings from a major new statistical investigation of the effects of weight and blood pressure on mortality.

The study, a follow-up to the landmark 1959 Build and Blood Pressure Study, provided important new information linking excess weight and untreated hypertension with increased risk of death. Among the findings was the fact that people who weigh a little less than average have slightly lower death rates than individuals of average weight for their height.

While the findings reaffirmed the extra risk of death among individuals with elevated blood pressure, new evidence showed that individuals successfully treated for high blood pressure experienced a near normal risk of death.

The most recent survey of ordinary life insurance applications and ordinary in force covers 1976. In that year, extra-risk policies accounted for 6% of all the ordinary life insurance policies issued and paid for and 4% of all the ordinary policies in force at the end of the year.

A sample of the extra-risk policies bought in 1976 showed that 80% of the policies with extra-rating were rated for medical reasons, including: cardiovascular-renal disease or its symptoms, 30%; weight problems, 19%; other medical reasons, 31%. The remaining 20% were for occupational or other reasons.

Liberalization of underwriting is a continuing process in life insurance. For instance, companies often insure, at standard rates, cancer victims who have fully recovered. Skindivers, who in former years had to pay higher premiums for life insurance, if they could get it at all, now can usually obtain policies at standard rates. Changes in underwriting policy are supported by research into the effects of various health and occupational hazards on life expectancy and mortality.

Standard and Extra-Risk Ordinary Life Insurance in the United States

	Purchased During Year		Insurance In Force at End of Year	
	Policies	Amount	Policies	Amount
1972				
Standard	11,260,000	$136,156,000,000	120,117,000	$ 806,116,000,000
Extra-Risk	584,000	9,323,000,000	5,005,000	42,427,000,000
Total	11,844,000	$145,479,000,000	125,122,000	$ 848,543,000,000
1976				
Standard	12,506,000	$200,464,000,000	131,052,000	$1,119,613,000,000
Extra-Risk	713,000	13,320,000,000	5,674,000	58,059,000,000
Total	13,219,000	$213,784,000,000	136,726,000	$1,177,672,000,000

Note: Data for 1972 do not include individual credit life insurance on loans of more than ten years' duration.

Source: American Council of Life Insurance.

OTHER TYPES OF LIFE INSURANCE

Legal reserve life insurance companies accounted for over 97% of life insurance in force in the United States at the end of 1978. The remainder, $94 billion, was issued by other private insurers and by the Federal government.

Veterans life insurance in force totaled $33.7 billion, including $471 million of U.S. Government Life Insurance (World War I), and $33.2 billion of National Service Life Insurance (World War II plus Insurance Act of 1951). The latter category includes insurance provided through a 1964 law which temporarily reopened enrollment for certain veterans whose disabilities made private life insurance unobtainable.

In addition to those government programs, legislation enacted in 1965 established Servicemen's Group Life Insurance (SGLI) for men and women on active duty in the uniformed services. Under the original program, up to $10,000 of group life insurance was available to each individual on a voluntary basis and nearly all of those who were eligible took this protection.

Legislation since then has substantially liberalized and extended the SGLI program. The maximum limit now is $20,000, and automatic full-time coverage is extended to all qualified reservists, including members of the National Guard. Retired reservists who have completed 20 years of creditable service are also eligible for coverage on a voluntary basis.

In addition, a new program was introduced in 1974, Veterans' Group Life Insurance (VGLI). The VGLI program provides non-renewable, five-year term life insurance in amounts up to $20,000 to all terminating servicemen and women. When the term insurance expires, the veteran may convert to an

Veterans Life Insurance *(000,000 Omitted)*

Year	Insurance In Force		Benefit Payments				Supplementary Contract Payments
	Policies	Amount	Death Payments	Dividends	Other Benefits	Total	
1941	1	$ 5,034	$ 39	$ 8	$ 36	$ 83	$ 15
1945	13	98,426	1,227	8	27	1,262	240
1950	7	45,286	204	625	50	879	325
1955	6	42,728	114	196	56	366	319
1960	6	42,030	162	262	67	491	307
1965	6	39,369	219	222	81	522	238
1970	5	37,474	301	274	142	717	216
1971	5	36,925	312	285	138	735	209
1972	5	36,591	326	297	123	746	307
1973	5	36,214	341	302	130	773	195
1974	5	35,736	361	334	126	821	189
1975	5	35,257	359	376	132	867	183
1976	5	34,721	374	403	151	928	184
1977	5	34,207	382	444	169	995	178
1978	5	33,657	393	482	174	1,049	170

Note: "Death Payments" represent the face amounts of death claims incurred during the year, including amounts left to be paid under supplementary contracts. "Supplementary Contract Payments" represent the total payments from accumulated insurance policy proceeds left to be paid in monthly installments, and withdrawals of dividend accumulations. Servicemen's Group Life Insurance data are excluded.

Source: Veterans Administration, U.S. Government.

individual life insurance policy issued by any company participating in the SGLI program.

Servicemen's Group Life Insurance is supervised by the Veterans Administration, and is chiefly underwritten by over 500 life insurance companies. Totals of SGLI in force are included in the life insurance companies' figures in this book rather than under these government programs.

Legal reserve life insurance was also in force with fraternal benefit societies in the United States and Canada, and amounted to $49.1 billion in 1978, an increase of $4.8 billion over 1977. Benefit payments amounted to $528 million for the year. In 1978, there were some 200 fraternal benefit societies with over 48,000 lodges in the United States and Canada.

Legal reserve life insurance in force with savings banks in the states of Connecticut, Massachusetts and New York amounted to $11.3 billion in 1978, an increase of 13% during the year. The banks issued $1.0 billion during the year, an increase of 23% from the previous year, due in large part to the increased limit on coverage in Connecticut. The limit on individual coverage with savings banks varies by state. Connecticut has a limit of $10,000 ($5,000 before January 1, 1978), Massachusetts, $53,000, and New York, $30,000.

The amount of life insurance protection now in force with assessment associations, mutual aid groups, burial societies and similar organizations is not available.

Fraternal and Savings Bank Life Insurance

(000,000 Omitted)

	1973	1974	1975	1976	1977	1978
FRATERNAL LIFE INSURANCE						
(U.S. and Canadian Societies)						
Insurance In Force	$31,005	$34,790	$37,319	$40,720	$44,333	$49,084
Insurance Purchased	4,767	5,604	5,495	6,012	6,737	7,548
Assets	5,829	6,101	6,531	7,147	7,679	8,358
Benefits	379	398	423	458	495	528
SAVINGS BANK LIFE INSURANCE						
Connecticut						
Insurance In Force	$ 434	$ 538	$ 617	$ 688	$ 765	$ 1,005
Insurance Purchased*	49	108	84	77	81	248
Assets	28	29	32	34	36	39
Benefits	3	3	4	4	4	5
Massachusetts						
Insurance In Force	1,894	2,029	2,156	2,273	2,383	2,552
Insurance Purchased	140	147	142	169	138	172
Assets	298	309	324	342	358	377
Benefits	26	28	29	29	32	33
New York						
Insurance In Force	4,074	4,878	5,441	6,071	6,824	7,713
Insurance Purchased	453	552	557	581	615	607
Assets	260	282	308	336	369	405
Benefits	31	35	37	41	43	49
Total Savings Bank						
Insurance In Force	$ 6,402	$ 7,445	$ 8,214	$ 9,032	$ 9,972	$11,270
Insurance Purchased	642	807	783	827	834	1,027
Assets	586	620	664	712	763	821
Benefits	60	66	70	74	79	87

*Purchases include reinsurance assumed, revivals and increases.

Sources: The Fraternal Monitor *and the National Fraternal Congress of America; The Savings Bank Life Insurance Company of Connecticut; Savings Bank Life Insurance Council (Massachusetts figures reported as of October 31); Savings Banks Life Insurance Fund (New York).*

LIFE INSURANCE IN VARIOUS COUNTRIES

The development of life insurance in a particular country can be traced to the need for it created by the social and economic development of that country.

Long ago, the entire society bore individual economic risks mutually as a social responsibility. Later on, as the family became an independent and economically self-sustaining unit, it became necessary to develop a means of individual financial protection. Viewed another way, life insurance is an outgrowth of the spread of commerce and industry and the development of the concept of individual ownership of property.

Life insurance may be considered a Western concept, and its use to help insure family economic security is deeply rooted in Western society, especially among certain income groups. In many countries, life insurance is little known, and in others it is owned primarily by those cultural groups descending from European colonists or those influenced by them.

Life Insurance In Force in Various Countries

(000,000 Omitted)

Country	Currency	1960	1968	1970	1977	1978
Australia	Dollar	8,464	20,995	39,710	82,195	N.A.
Austria	Schilling	9,132	29,466	40,104	147,798	172,000
Belgium	Franc	173,896	415,995	459,339	1,153,000	N.A.
Canada	Dollar	46,867	99,366	118,822	293,720	331,525
China (Taiwan)	N.T. Dollar	969	8,318	19,674	130,389	183,021
Costa Rica	Colon	494	1,326	1,884	8,325	9,909
Denmark	Krone	11,270	30,250	47,576	123,004	138,862
Finland	Markka	4,742	11,405	11,938	22,238	23,999
France	Franc	53,289	197,000	292,000	1,800,000	2,000,000
Germany (F.R.)	D. Mark	65,616	187,779	235,234	556,179	626,771
Iceland	Krona	252	1,503	4,800	32,088	N.A.
Israel	Pound	304	3,750	5,772	94,094	155,556
Italy	Lira	2,201,611	5,884,388	7,336,032	17,183,378	N.A.
Japan	Yen	6,696,943	45,695,330	74,938,370	393,145,933	457,547,854
Korea	Won	N.A.	168,259	264,451	2,489,274	4,386,956
Netherlands	Guilder	38,915	90,828	112,288	299,100	335,000
New Zealand	Dollar	2,278	5,579	6,894	19,808	22,581
Norway	Krone	8,518	17,423	22,411	62,934	71,147
Peru	Soles	3,102	12,380	18,572	66,795	84,425
Philippines	Peso	2,108	6,060	10,437	29,169	35,800
Spain	Peseta	25,826	122,145	184,250	1,150,000	N.A.
Sweden	Krona	33,550	178,216	196,900	405,000	450,000
Switzerland	Franc	17,301	45,361	54,338	111,892	123,000
United Kingdom	Pound	14,509	34,690	43,570	125,700	N.A.
United States	Dollar	586,448	1,183,354	1,402,123	2,582,815	2,870,250

Note: In general, the figures represent life insurance in force on the lives of residents of the country with both domestic and foreign private companies. In a few cases, annuities are included; in other cases, the figures represent the total business of domestic companies of the country and/or insurance that has been issued by government organizations.

N.A.—Not available.

Source: American Council of Life Insurance.

The life insurance data presented in this chapter represent, for the most part, the countries of Western Europe, North America, Asia and the major portion of Australasia.

One way of comparing national levels of life insurance ownership is through data on life insurance in force. However, direct comparisons are impractical because countries vary widely in economic conditions, personal income levels, living and health standards and other circumstances. So conversion of the amounts of life insurance in force in each country to a common currency would not yield a reasonable international comparison.

An index which reduces the influence of these differences is the ratio of life insurance in force to national income. It serves as a measure of the significance of life insurance protection in each country. Such ratios have, in general, shown improvement during the past decade.

By this statistical measure, Japan leads all other nations for which data are currently available. Canada ranks second, followed by the United States. The other countries in which life insurance in force equals or exceeds national income are New Zealand, Sweden, the Netherlands, France, Australia and the United Kingdom.

In the United Kingdom, life insurance in force reached £125.7 billion by year-end 1977, an increase of 16% over 1976. In 1977, this protection included £83.3 billion of ordinary, £10.5 billion of industrial, and £31.9 billion of insurance coverage included in certain pension plans.

Ratio of Life Insurance In Force to National Income in Various Countries

Country	1972	1977	Country	1972	1977
Australia	110%	102%	Japan	148%	230%*
Austria	15	21	Korea	11	16
Belgium	47	44	Netherlands	111	126
Canada	155	157	New Zealand	129	142*
China (Taiwan)	9	19	Norway	39	40
Costa Rica	33	34	Peru	10	N.A.
Denmark	45	49	Philippines	27	21
Finland	26	21	Spain	12	14
France	55	108	Sweden	141	131
Germany (F.R.)	44	53	Switzerland	67	82
Iceland	11	10	United Kingdom	100	100
Israel	38	75	United States	153	153
Italy	14	10			

Note: National income data is on a "market prices" basis. In general, the figures represent life insurance in force on the lives of residents of the country with both domestic and foreign private companies. In a few cases, annuities are included; in other cases, the figures represent the total business of domestic companies of the country and/or insurance that has been issued by government organizations.

N.A. = Not available.

*Data are for 1976.

Sources: American Council of Life Insurance and International Monetary Fund.

Canada

Canadians bought some $47.9 billion of life insurance in 1978, an increase of $6.3 billion or 15% over 1977. Of the 1978 total, 55% was individually purchased insurance and 45% was group. By contrast, group insurance was 34% of purchases in 1968.

At the end of 1977 (the latest year for which data are available), Canadians owned life insurance equaling 157% of their national income, compared with 153% in the United States.

Total life insurance in force in Canada at the end of 1978 was estimated to be $331.5 billion, a 13% increase during the year.

Over two-fifths of the life insurance in force in Canada is ordinary life. As a percentage of all life insurance, however, ordinary insurance in Canada has been declining in proportion to group life insurance in force. From year-end 1968 through 1978, group life rose from 44% to over 58% of the total.

More than 12 million Canadians owned life insurance at the end of 1978. About three-quarters of their protection was with Canadian life companies. Much of the rest was with U.S. companies. Canadians also carry policies with British and other European life insurance companies.

Life insurance benefits paid during the year to Canadians amounted to $3.0 billion. Of this total, $2.1 billion, or 70%, was paid directly to policyholders.

Life Insurance in Canada

(Millions of Canadian Dollars)

	1977	1978
Purchases		
Ordinary	$23,732	$26,427
Group	17,821	21,450
Total	$41,553	$47,877
Insurance In Force		
Ordinary	$124,399	$139,999
Group	169,321	191,526
Total	$293,720	$331,525
Benefit Payments		
Death Payments	$ 796	$ 904
Matured Endowments	79	83
Disability Payments	35	40
Annuity Payments	715	977
Surrender Values	309	357
Policy Dividends	376	478
Segregated Funds	163	196
Total	$2,473	$3,035
Premium Income	$4,473	$5,011

Note: Figures cover both Federally registered companies and provincial licensees. "Ordinary" in the "Purchases" and "Insurance In Force" categories includes industrial insurance. "Annuity Payments" include any death payments, disability payments and surrender values from annuities. Annuity dividends are included in "Policy Dividends." "Segregated Funds" are primarily annuity payments. The data for 1977 are revised and the data for 1978 are preliminary.

Sources: Department of Insurance of Canada and Canadian Life Insurance Association.

The assets of Canada's 84 life insurance companies are invested primarily in the private sector of the nation's economy, chiefly in corporate bonds and mortgages. Many Canadian life companies invest part of their funds in the United States, where they conduct over one-fifth of their business, and many U.S. companies similarly invest and do business in Canada.

Distribution of Assets

Canadian Life Insurance Companies *(Millions of Canadian Dollars)*

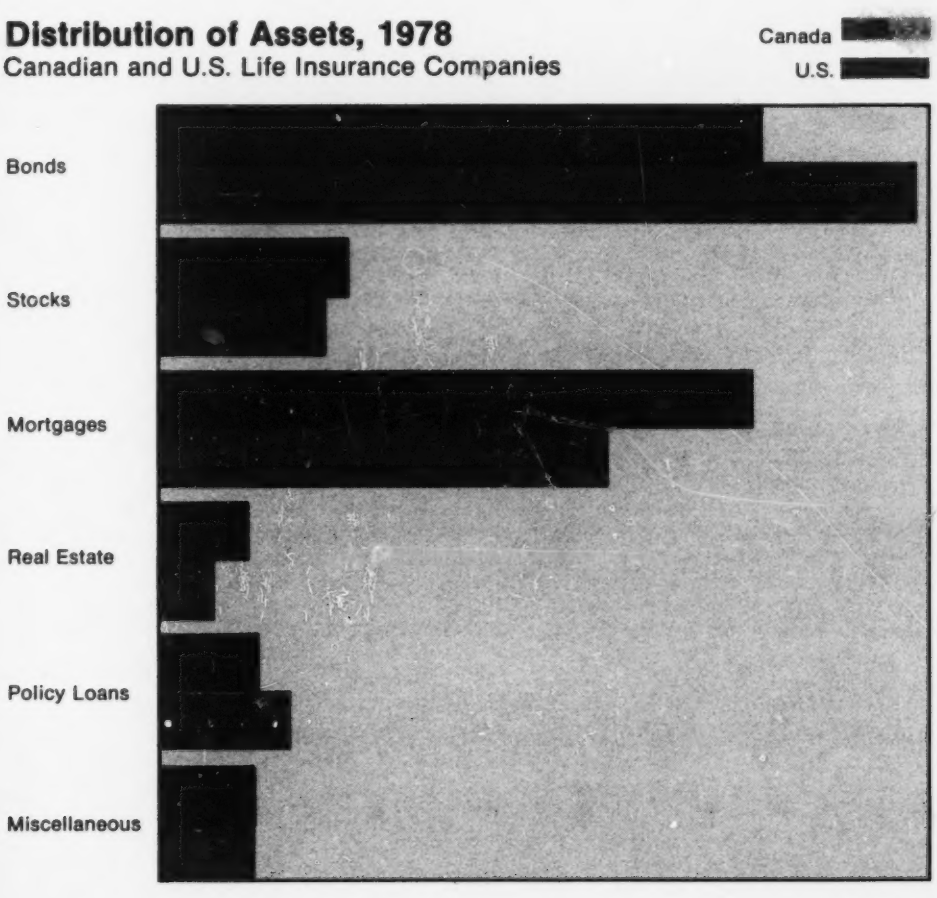
	1973	1974	1975	1976	1977	1978
Bonds	$ 7,215	$ 7,637	$ 8,537	$ 9,657	$11,124	$12,824
Stocks	2,595	2,426	2,806	3,322	3,414	4,017
Mortgages	7,782	8,444	9,058	9,937	11,215	12,573
Real Estate	1,202	1,328	1,457	1,559	1,675	1,832
Policy Loans	1,341	1,562	1,670	1,770	1,871	2,027
Miscellaneous Assets	777	901	982	1,111	1,320	1,938
Total	$20,822	$22,298	$24,510	$27,356	$30,619	$35,211

Note: Figures are for federally registered companies and provincial licensees. Assets do not include deferred premiums. These amounted to $271 million in 1978. The data for 1977 are revised and the data for 1978 are preliminary.

Sources: Department of Insurance of Canada and Canadian Life Insurance Association.

Distribution of Assets, 1978

Canadian and U.S. Life Insurance Companies



STATE INSURANCE OFFICIALS

Alabama, Montgomery	Albert J. Winfield, Acting	Commissioner of Insurance
Alaska, Juneau	Kenneth C. Moore	Director of Insurance
Arizona, Phoenix	John N. Trimble	Director of Insurance
Arkansas, Little Rock	William H. L. Woodyard, III	Insurance Commissioner
California, Los Angeles	Wesley J. Kinder	Insurance Commissioner
Colorado, Denver	J. Richard Barnes	Commissioner of Insurance
Connecticut, Hartford	Joseph C. Mike	Insurance Commissioner
Delaware, Dover	David H. Elliot	Insurance Commissioner
D.C., Washington	James R. Montgomery, Acting	Superintendent of Insurance
Florida, Tallahassee	Bill Gunter	Insurance Commissioner
Georgia, Atlanta	Johnnie L. Caldwell	Insurance Commissioner
Hawaii, Honolulu	Tany S. Hong	Insurance Commissioner
Idaho, Boise	Monroe C. Gollaher	Director of Insurance
Illinois, Chicago	Philip R. O'Connor, Acting	Director of Insurance
Indiana, Indianapolis	H. Pete Hudson	Commissioner of Insurance
Iowa, Des Moines	Herbert W. Anderson	Commissioner of Insurance
Kansas, Topeka	Fletcher Bell	Commissioner of Insurance
Kentucky, Frankfort	Harold B. McGuffey	Commissioner of Insurance
Louisiana, Baton Rouge	Sherman A. Bernard	Commissioner of Insurance
Maine, Augusta	Theodore T. Briggs	Superintendent of Insurance
Maryland, Baltimore	Edward J. Birrane, Jr.	Insurance Commissioner
Massachusetts, Boston	Michael J. Sabbagh	Commissioner of Insurance
Michigan, Lansing	Richard Hemmings, Acting	Commissioner of Insurance
Minnesota, St. Paul	Michael D. Markman	Commissioner of Insurance
Mississippi, Jackson	George Dale	Commissioner of Insurance
Missouri, Jefferson City	Jerry B. Buxton	Director of Insurance
Montana, Helena	Elmer V. Omholt	Commissioner of Insurance
Nebraska, Lincoln	Walter D. Weaver	Director of Insurance
Nevada, Carson City	Donald W. Heath	Commissioner of Insurance
New Hampshire, Concord	Frank E. Whaland	Insurance Commissioner
New Jersey, Trenton	James J. Sheeran	Commissioner of Insurance
New Mexico, Santa Fe	Manuel A. Garcia, Jr.	Superintendent of Insurance
New York, New York	Albert B. Lewis	Superintendent of Insurance
North Carolina, Raleigh	John R. Ingram	Commissioner of Insurance
North Dakota, Bismarck	Byron Knutson	Commissioner of Insurance
Ohio, Columbus	Harry V. Jump	Superintendent of Insurance
Oklahoma, Oklahoma City	Gerald Grimes	Insurance Commissioner
Oregon, Salem	Wilfred W. Fritz	Commissioner of Insurance
Pennsylvania, Harrisburg	Harvey Bartle, III	Commissioner of Insurance
Rhode Island, Providence	Thomas J. Caldarone, Jr.	Insurance Commissioner
South Carolina, Columbia	John W. Lindsay	Insurance Commissioner
South Dakota, Pierre	Lowell L. Knutson	Director of Insurance
Tennessee, Nashville	John C. Neff	Commissioner of Insurance
Texas, Austin	E. J. Voorhis	Commissioner of Insurance
Utah, Salt Lake City	Roger C. Day	Commissioner of Insurance
Vermont, Montpelier	Stewart M. Ledbetter	Commissioner of Insurance
Virginia, Richmond	James W. Newman	Commissioner of Insurance
Washington, Olympia	Dick Marquardt	Insurance Commissioner
West Virginia, Charleston	Richard G. Shaw	Insurance Commissioner
Wisconsin, Madison	Susan M. Mitchell	Commissioner of Insurance
Wyoming, Cheyenne	John T. Langdon	Insurance Commissioner

MORTALITY TABLES

Age	American Experience (1843-1858)		Commissioners 1958 Standard Ordinary (1950-1954)		Individual Annuity Table for 1971—Male (1960-1967)		Individual Annuity Table for 1971—Female (1960-1967)		United States Total Population (1969-1971)	
	Deaths Per 1,000	Expectation of Life (Years)	Deaths Per 1,000	Expectation of Life (Years)	Deaths Per 1,000	Expectation of Life (Years)	Deaths Per 1,000	Expectation of Life (Years)	Deaths Per 1,000	Expectation of Life (Years)
0	154.70	41.45	7.08	68.30	—	—	—	—	20.02	70.75
1	63.49	47.94	1.76	67.78	—	—	—	—	1.25	71.19
2	35.50	50.16	1.52	66.90	—	—	—	—	.86	70.28
3	23.91	50.98	1.46	66.00	—	—	—	—	.69	69.34
4	17.70	51.22	1.40	65.10	—	—	—	—	.57	68.39
5	13.60	51.13	1.35	64.19	.46	71.69	.23	76.99	.51	67.43
6	11.37	50.83	1.30	63.27	.42	70.73	.19	76.01	.46	66.46
7	9.75	50.41	1.26	62.35	.40	69.75	.16	75.02	.43	65.49
8	8.63	49.90	1.23	61.43	.39	68.78	.14	74.03	.39	64.52
9	7.90	49.33	1.21	60.51	.39	67.81	.13	73.04	.34	63.54
10	7.49	48.72	1.21	59.58	.39	66.84	.13	72.05	.31	62.57
11	7.52	48.08	1.23	58.65	.40	65.86	.14	71.06	.30	61.58
12	7.54	47.45	1.26	57.72	.41	64.89	.16	70.07	.35	60.60
13	7.57	46.80	1.32	56.80	.41	63.91	.17	69.08	.46	59.62
14	7.60	46.16	1.39	55.87	.42	62.94	.18	68.10	.63	58.65
15	7.63	45.50	1.46	54.95	.43	61.97	.19	67.11	.82	57.69
16	7.66	44.85	1.54	54.03	.44	60.99	.21	66.12	1.01	56.73
17	7.69	44.19	1.62	53.11	.46	60.02	.22	65.13	1.17	55.79
18	7.73	43.53	1.69	52.19	.47	59.05	.23	64.15	1.28	54.86
19	7.77	42.87	1.74	51.28	.49	58.07	.25	63.16	1.34	53.93
20	7.80	42.20	1.79	50.37	.50	57.10	.26	62.18	1.40	53.00
21	7.86	41.53	1.83	49.46	.52	56.13	.28	61.19	1.47	52.07
22	7.91	40.85	1.86	48.55	.54	55.16	.29	60.21	1.52	51.15
23	7.96	40.17	1.89	47.64	.57	54.19	.31	59.23	1.53	50.22
24	8.01	39.49	1.91	46.73	.59	53.22	.33	58.25	1.51	49.30
25	8.06	38.81	1.93	45.82	.62	52.25	.35	57.27	1.47	48.37
26	8.13	38.12	1.96	44.90	.65	51.28	.37	56.29	1.43	47.44
27	8.20	37.43	1.99	43.99	.68	50.32	.39	55.31	1.42	46.51
28	8.26	36.73	2.03	43.08	.72	49.35	.41	54.33	1.44	45.58
29	8.34	36.03	2.08	42.16	.76	48.39	.44	53.35	1.49	44.64
30	8.43	35.33	2.13	41.25	.81	47.42	.47	52.37	1.55	43.71
31	8.51	34.63	2.19	40.34	.86	46.46	.50	51.40	1.63	42.77
32	8.61	33.92	2.25	39.43	.92	45.50	.53	50.42	1.72	41.84
33	8.72	33.21	2.32	38.51	.98	44.54	.57	49.45	1.83	40.92
34	8.83	32.50	2.40	37.60	1.05	43.58	.61	48.48	1.95	39.99
35	8.95	31.78	2.51	36.69	1.12	42.63	.65	47.51	2.09	39.07
36	9.09	31.07	2.64	35.78	1.20	41.68	.70	46.54	2.25	38.15
37	9.23	30.35	2.80	34.88	1.30	40.73	.75	45.57	2.44	37.23
38	9.41	29.62	3.01	33.97	1.40	39.78	.81	44.60	2.66	36.32
39	9.59	28.90	3.25	33.07	1.51	38.83	.87	43.64	2.90	35.42
40	9.79	28.18	3.53	32.18	1.63	37.89	.94	42.68	3.14	34.52
41	10.01	27.45	3.84	31.29	1.79	36.95	1.01	41.72	3.41	33.63
42	10.25	26.72	4.17	30.41	2.00	36.02	1.09	40.76	3.70	32.74
43	10.52	26.00	4.53	29.54	2.26	35.09	1.19	39.80	4.04	31.86
44	10.83	25.27	4.92	28.67	2.57	34.17	1.29	38.85	4.43	30.99
45	11.16	24.54	5.35	27.81	2.92	33.25	1.40	37.90	4.84	30.12
46	11.56	23.81	5.83	26.95	3.32	32.35	1.52	36.95	5.28	29.27
47	12.00	23.08	6.36	26.11	3.75	31.46	1.65	36.01	5.74	28.42
48	12.51	22.36	6.95	25.27	4.23	30.57	1.80	35.06	6.24	27.58
49	13.11	21.63	7.60	24.45	4.74	29.70	1.97	34.13	6.78	26.75
50	13.78	20.91	8.32	23.63	5.29	28.84	2.15	33.19	7.38	25.93
51	14.54	20.20	9.11	22.82	5.86	27.99	2.37	32.26	8.04	25.12
52	15.39	19.49	9.96	22.03	6.46	27.15	2.64	31.34	8.76	24.32
53	16.33	18.79	10.89	21.25	7.09	26.33	2.97	30.42	9.57	23.53
54	17.40	18.09	11.90	20.47	7.74	25.51	3.35	29.51	10.43	22.75
55	18.57	17.40	13.00	19.71	8.42	24.71	3.79	28.61	11.36	21.99
56	19.89	16.72	14.21	18.97	9.12	23.91	4.28	27.71	12.36	21.23

Age	American Experience (1843-1858)		Commissioners 1958 Standard Ordinary (1950-1954)		Individual Annuity Table for 1971—Male (1960-1967)		Individual Annuity Table for 1971—Female (1960-1967)		United States Total Population (1969-1971)	
	Deaths Per 1,000	Expectation of Life (Years)	Deaths Per 1,000	Expectation of Life (Years)	Deaths Per 1,000	Expectation of Life (Years)	Deaths Per 1,000	Expectation of Life (Years)	Deaths Per 1,000	Expectation of Life (Years)
57	21.34	16.05	15.54	18.23	9.85	23.13	4.83	26.83	13.41	20.49
58	22.94	15.39	17.00	17.51	10.61	22.35	5.41	25.96	14.52	19.76
59	24.72	14.74	18.59	16.81	11.41	21.59	6.02	25.10	15.70	19.05
60	26.69	14.10	20.34	16.12	12.25	20.83	6.63	24.25	16.95	18.34
61	28.88	13.47	22.24	15.44	13.13	20.08	7.22	23.41	18.29	17.65
62	31.29	12.86	24.31	14.78	14.07	19.34	7.77	22.57	19.74	16.97
63	33.94	12.26	26.57	14.14	15.08	18.61	8.29	21.74	21.33	16.30
64	36.87	11.67	29.04	13.51	16.19	17.89	8.78	20.92	23.06	15.65
65	40.13	11.10	31.75	12.90	17.41	17.17	9.29	20.10	24.95	15.00
66	43.71	10.54	34.74	12.31	18.77	16.47	9.89	19.29	26.99	14.38
67	47.65	10.00	38.04	11.73	20.29	15.77	10.62	18.47	29.18	13.76
68	52.00	9.47	41.68	11.17	21.99	15.09	11.54	17.67	31.52	13.16
69	56.76	8.97	45.61	10.64	23.89	14.42	12.66	16.87	34.00	12.57
70	61.99	8.48	49.79	10.12	26.00	13.76	14.03	16.08	36.61	12.00
71	67.67	8.00	54.15	9.63	28.34	13.11	15.65	15.30	39.43	11.43
72	73.73	7.55	58.65	9.15	30.93	12.48	17.55	14.53	42.66	10.88
73	80.18	7.11	63.26	8.69	33.80	11.86	19.74	13.79	46.44	10.34
74	87.03	6.68	68.12	8.24	36.98	11.26	22.26	13.05	50.75	9.82
75	94.37	6.27	73.37	7.81	40.49	10.67	25.12	12.34	55.52	9.32
76	102.31	5.88	79.18	7.39	44.39	10.10	28.37	11.64	60.60	8.84
77	111.06	5.49	85.70	6.98	48.72	9.55	32.05	10.97	65.96	8.38
78	120.83	5.11	93.06	6.59	53.50	9.01	36.23	10.32	71.53	7.93
79	131.73	4.74	101.19	6.21	58.79	8.50	40.98	9.68	77.41	7.51
80	144.47	4.39	109.98	5.85	64.60	7.99	46.39	9.08	83.94	7.10
81	158.60	4.05	119.35	5.51	70.90	7.51	52.51	8.49	91.22	6.70
82	174.30	3.71	129.17	5.19	77.67	7.05	59.41	7.94	98.92	6.32
83	191.56	3.39	139.38	4.89	84.94	6.60	67.16	7.41	106.95	5.96
84	211.36	3.08	150.01	4.60	92.87	6.16	75.90	6.90	115.48	5.62
85	235.55	2.77	161.14	4.32	101.69	5.74	85.77	6.43	125.61	5.28
86	265.68	2.47	172.82	4.06	111.65	5.34	96.90	5.99	137.48	4.97
87	303.02	2.18	185.13	3.80	123.05	4.95	109.34	5.57	149.79	4.68
88	346.69	1.91	198.25	3.55	136.12	4.57	122.98	5.20	161.58	4.42
89	395.86	1.66	212.46	3.31	151.07	4.21	137.51	4.86	172.92	4.18
90	454.55	1.42	228.14	3.06	168.04	3.87	152.47	4.55	185.02	3.94
91	532.47	1.19	245.77	2.82	187.15	3.55	167.37	4.28	198.88	3.73
92	634.26	.98	265.93	2.58	208.46	3.26	181.78	4.04	213.63	3.53
93	734.18	.80	289.30	2.33	231.89	2.98	195.39	3.83	228.70	3.35
94	857.14	.64	316.66	2.07	257.15	2.73	208.07	3.63	243.36	3.19
95	1,000.00	.50	351.24	1.80	283.84	2.50	219.90	3.46	257.45	3.06
96			400.56	1.51	311.57	2.30	231.10	3.29	269.59	2.95
97			488.42	1.18	340.21	2.11	242.21	3.13	280.24	2.85
98			668.15	.83	369.77	1.94	253.82	2.97	289.77	2.76
99			1,000.00	.50	400.19	1.79	266.45	2.81	298.69	2.69
100					431.41	1.65	280.54	2.65	306.96	2.62
101					463.31	1.53	296.45	2.49	314.61	2.56
102					495.76	1.41	314.54	2.33	321.67	2.51
103					528.60	1.31	335.12	2.17	328.17	2.46
104					561.69	1.21	358.54	2.01	334.14	2.41
105					594.88	1.13	385.12	1.85	339.60	2.37
106					628.02	1.05	415.24	1.70	344.60	2.34
107					660.95	.98	449.27	1.55	349.17	2.30
108					693.50	.92	487.65	1.41	353.33	2.27
109					725.52	.86	530.79	1.27	357.12	2.24

Note: Mortality rates contained in the 1958 Commissioners Standard Ordinary table were obtained from experience of 1950-1954, but contain an added element designed to generate life insurance reserves of a conservative nature in keeping with the long-term guarantees inherent in life insurance contracts. Premiums for life insurance policies, on the other hand, are based on assumptions that include expected mortality experience.

Mortality rates for the 1971 Annuity Tables are, again, conservative as related to the actual experience upon which they are based.

HISTORIC DATES

1759 The first life insurance company in the United States, "The Corporation for Relief of Poor and Distressed Presbyterian Ministers and of the Poor and Distressed Widows and Children of Presbyterian Ministers," was established in Philadelphia by the Synod of the Presbyterian Church. This company, now Presbyterian Ministers' Fund, is the oldest life insurance company in continued existence in the world.

1789 Professor Edward Wigglesworth of Harvard prepared a modified table of mortality based on Massachusetts experience, the first computation of premiums and reserves on a scientific basis in the U.S.

1794 The Insurance Company of North America was chartered as the first general insurance company to sell life insurance in America. In five years only six policies were issued and the company discontinued its life insurance business in 1804.

1807 Israel Whelen of Philadelphia was appointed agent for the Pelican Life Insurance Company of London.

1812 Pennsylvania Company for Insurance on Lives and Granting Annuities was incorporated; the first corporation organized in America for the sole purpose of issuing life insurance policies and annuities. The first policy was issued in 1813. It discontinued issuing life policies in 1872.

1830 New York Life Insurance and Trust Company was started; notable as the first American life company to employ agents. This company later discontinued its life insurance business and was subsequently merged with the Bank of New York.

1835 A charter was granted New England Mutual Life Insurance Company of Boston, the first mutual company to be chartered in America. It did not actually begin business until December, 1843.

1836 The Girard Life Insurance, Annuity and Trust Company of Philadelphia was established upon a new principle of granting policyholders participation in profits, although it was a stock company. The first dividends were allotted in 1844 as additions of insurance to policies in force three or more years. This company later became a trust company only.

1840 The legislature of New York State enacted a law that provided that the proceeds of a policy made out to a widow as beneficiary would be paid to her and were exempt from claims of creditors. This strengthened immeasurably the protective power of a life insurance policy.

1842 The Mutual Life Insurance Company of New York was chartered. The first policy was issued February 1, 1843, marking the beginning of mutual life insurance as it is known today.

1848 First policy loans were granted about this time.

1849 New York State passed the first general insurance law.

1851 New Hampshire established the first regulatory body to examine the affairs of insurance companies.

1853 Policy valuation tables, which had been worked on by Elizur Wright for nine years, were published.

1859 New York State established the first insurance department.

1861 Massachusetts was the first state to require nonforfeiture values as part of life policies.

1861 First war risk insurance written by life companies during Civil War.

1864 The Manhattan Life Insurance Company was the first American company to write an incontestable clause into a policy.

1868 American Experience Table of Mortality published as a part of New York law. Covering experience from 1843 to 1858, it remained the table most widely used by American companies until the 1940s.

1869 U.S. Supreme Court held insurance not to be a transaction in commerce, and affirmed the validity of state regulation of insurance.

1869 Earliest organization of life insurance agents was recorded in Chicago.

1871 First convention of State Insurance Commissioners was held in New York City.

1873 First weekly premium policy was issued in the United States.

1875 Industrial insurance agency system was introduced in the United States.

1880 Cash surrender values were first established by law in Massachusetts.

1905 Armstrong investigation of life insurance was made by New York State Legislature, which resulted in many changes in insurance laws.

1909 Standard provisions for life insurance policies were adopted in New York State.

1911 First group life insurance for employees was introduced.

1917 Life insurance for servicemen of World War I was offered by the government under War Risk Insurance Act; such insurance is now known as U.S. Government Life Insurance.

1918 American Men Ultimate Mortality Table was published, which covered experience from 1900 to 1915.

1928 First examinations were held for Chartered Life Underwriters, which resulted in awards of CLU designations to qualified life insurance personnel.

1935 Social Security Act was enacted. It was subsequently amended at various times to include benefits for survivors and dependents and for disabled workers and their dependents, to extend coverage as to employments covered, to lower minimum retirement age, to raise benefit levels, to revise contribution schedules, to increase earnings base, and, in 1965, to establish Medicare, a broad program of health insurance for people aged 65 or older.

1938 The 1937 Standard Annuity Mortality Table was published. It was based primarily on experience from 1932 to 1936.

1939 Temporary National Economic Committee began an investigation of life insurance.

1940 National Service Life Insurance Act, providing insurance for men and women in service in World War II, was adopted by Congress.

1941 Commissioners 1941 Standard Ordinary Table of Mortality, based on experience from 1930 to 1940, was published.

1944 U.S. Supreme Court held insurance to be commerce, and that when conducted across state lines, it is interstate commerce and therefore subject to Federal laws.

1945 McCarran-Ferguson Act declared that the regulation of insurance by the states is in the public interest and granted an exemption from the antitrust laws to the extent the business is regulated by state law.

1948 Legislation permitting "Standard Nonforfeiture and Valuation" methods of computation was effected in nearly all states.

1952 College Retirement Equities Fund (CREF) was established as the first variable annuity fund. In 1954, the Participating Annuity Life Insurance Company offered the first variable annuity contracts to the general public.

1954 Federal Employees' Group Life Insurance Act providing group life insurance and accidental death and dismemberment insurance to civilian officers and employees of the United States government through private insurance companies was introduced.

1958 Commissioners 1958 Standard Ordinary Table of Mortality, based on experience from 1950 to 1954, was published.

1959 Arkansas was the first state to pass laws permitting life insurance companies to issue variable annuities and authorizing the establishment of separate accounts.

1965 Servicemen's Group Life Insurance Act providing members on active duty in the uniformed services with group life insurance underwritten by private insurers through a contract with the Veterans Administration was introduced.

1974 Employee Retirement Income Security Act of 1974 was signed into law. The primary purposes were to protect the benefits of participants in private plans, to assure reasonable vesting provisions, and to broaden the opportunity to set up plans for the self-employed and workers who have no private retirement plans.

1976 First individual variable life insurance policy was issued in the United States.

1977 Social Security Act was amended to increase wage base and tax rates in steps beginning in 1978 and to revise the benefit structure.

LIFE INSURANCE ORGANIZATIONS

COMPANY ASSOCIATIONS

AMERICAN COUNCIL OF LIFE INSURANCE: 1850 K Street, N.W., Washington, D.C. 20006; Telephone: 202-862-4000; Chairman of the Board, Armand C. Stalnaker; President, Blake T. Newton, Jr. Represents the life insurance business in legislative and regulatory areas at the Federal, state and local levels of government. Provides the public with information about the purpose and uses of life insurance, maintains research facilities to record the performance of the business and measures attitudes of the public on issues relevant to the business.

CONSUMER CREDIT INSURANCE ASSOCIATION: 307 North Michigan Avenue, Chicago, Illinois 60601; Telephone: 312-726-9895; Chairman of the Board, Gary Tolman; President, James F. Blazek; Executive Vice President, William F. Burfeind. Serves as the official trade organization for insurers that underwrite consumer credit insurance in the areas of life, accident and health, and property insurance.

LIFE INSURANCE MARKETING AND RESEARCH ASSOCIATION: 170 Sigourney Street, Hartford, Connecticut 06105; Telephone: 203-525-0881; Chairman of the Board, Howard E. Steele; President, George G. Joseph, CLU. Works to improve the efficiency of life insurance distribution through scientific management methods, conducts research, provides management educational services and prepares a wide range of publications.

LIFE INSURERS CONFERENCE: 1004 North Thompson Street, Richmond, Virginia 23230; Telephone: 804-359-5006; Chairman, Robert S. Greer, Sr.; President, G. Mason Connell, Jr. Comprised of life insurance companies engaged to a large extent in the sale of home service life insurance.

LIFE OFFICE MANAGEMENT ASSOCIATION: 100 Colony Square, Atlanta, Georgia 30361; Telephone: 404-892-7272; Chairman of the Board, Ernest C. Steele, FLMI; President, Lynn G. Merritt. Engages in cooperative educational and research activities directed to the improvement of management operations in home and field offices. Conducts the widely-used FLMI (Fellow, Life Management Institute) Insurance Education Program.

NATIONAL ASSOCIATION OF LIFE COMPANIES: 3340 Peachtree Road, N.E., Suite 1060, Atlanta, Georgia 30326; Telephone: 404-262-3737; Chairman of the Board, Ellis Arnall; Executive Secretary, Dan A. Aldridge. Consists primarily of stock life and health insurance companies which have been organized in recent years.

NATIONAL INSURANCE ASSOCIATION: 2400 South Michigan Avenue, Chicago, Illinois 60616; Telephone: 312-842-5125; President, J. Mason Davis; Executive Director, Charles A. Davis. Represents companies which principally serve the life insurance needs of black families.

PROFESSIONAL ASSOCIATIONS

AMERICAN ACADEMY OF ACTUARIES: 208 South LaSalle Street, Chicago, Illinois 60604; and 1835 K Street, N.W., Washington, D.C. 20006; Telephone: 312-782-4204, Chicago; 202-223-8196, Washington, D.C.; President, Dale R. Gustafson; Secretary, Dwight K. Bartlett III; Executive Director, Stephen G. Kellison. An organization of qualified actuaries that deals with issues surrounding the legal recognition and the public role of actuaries throughout the United States. Membership consists largely of members of the Casualty Actuarial Society, Conference of Actuaries in Public Practice, Fraternal Actuarial Associaton, Society of Actuaries and enrolled actuaries under ERISA. Membership criteria include satisfaction of experience and education standards.

AMERICAN RISK AND INSURANCE ASSOCIATION: Room 297, Brooks Hall, The University of Georgia, Athens, Georgia 30602; Telephone: 404-542-4290; President, Dr. Charles P. Hall, Jr., Temple University; Executive Secretary, Dr. Richard E. Johnson. A society of insurance educators and others interested in risk and insurance education and research.

AMERICAN SOCIETY OF CHARTERED LIFE UNDERWRITERS: 270 Bryn Mawr Avenue, Bryn Mawr, Pennsylvania 19010; Telephone: 215-896-4300; President, Robert B. Williams; Executive Vice President and Managing Director, John R. Driskill. An organization of individuals who hold the Chartered Life Underwriter (CLU) designation and belong to local chapters. Conducts seminars and institutes on such subjects as law, taxation, estate planning and business life insurance.

AMERICAN SOCIETY OF PENSION ACTUARIES: 1700 K Street, N.W., Washington, D.C. 20006; Telephone: 202-785-4366; President, Brian W. Kruse; Executive Director, Chester J. Salkind. A professional society dedicated to the advancement of the profession of the pension actuary and consultant. Offers a comprehensive examination program for actuaries and consultants and represents the interests of its members before appropriate forums.

THE ASSOCIATION OF LIFE INSURANCE COUNSEL: 51 Madison Ave., New York, New York 10010; Telephone: 212-679-1110; President, Henry O. Smith, State Mutual Life Assurance Company of America; President-Elect, Ira L. Burleson, Liberty National Life Insurance Company; Secretary-Treasurer, Paul E. Klein, New York Life Insurance Company. An organization of life insurance counsels. Seeks to increase knowledge of areas of law affecting life insurance companies.

ASSOCIATION OF LIFE INSURANCE MEDICAL DIRECTORS OF AMERICA: P.O. Box 111, Boston, Massachusetts 02117; Telephone: 617-421-6660; President, Donald M. Haskins, M.D.; Secretary, Harold S. Kost, M.D. Medical directors of life insurance companies. Encourages the advancement of the science of medicine as applied to insurance.

CONFERENCE OF ACTUARIES IN PUBLIC PRACTICE: 208 South LaSalle Street, Chicago, Illinois 60604; Telephone: 312-782-8683; President, Lawrence Mitchell; Secretary, William A. Ferguson. Membership composed of consulting actuaries and governmental actuaries.

HOME OFFICE LIFE UNDERWRITERS ASSOCIATION: President, Norman P. Taylor; Secretary, Wallace Harper, Mutual Life Insurance Company of New York, 1740 Broadway, New York, New York 10019; Telephone: 212-586-4000. An organization of home office underwriters of legal reserve life insurance companies. Offers an education program through the Academy of Life Underwriting designed specifically for professional home office life underwriters.

INSTITUTE OF HOME OFFICE UNDERWRITERS: President, J.J. Canty; Secretary-Treasurer, Emil L. Tobler, Hartford Insurance Group, Hartford, Connecticut 06115; Telephone: 203-547-4509. An organization of home office underwriters. Aims to increase the knowledge of underwriting principles through discussions, surveys and presentation of papers, and through the education program of the Academy of Life Underwriting.

INSURANCE ACCOUNTING AND STATISTICAL ASSOCIATION: Mutual Plaza, Durham, North Carolina 27701; Telephone: 919-683-2356; President, Robert D. Miller; Secretary-Treasurer, Walter R. Mason. An international organization to promote the study, research and development of modern techniques in insurance accounting and statistics.

INTERNATIONAL CLAIM ASSOCIATION: President, Norris V. Fitzmorris, Pan-American Life Insurance Company; Secretary, Alfred S. Hammond, State Mutual Life Assurance Company of America, 440 Lincoln Street, Worcester, Massachusetts 01605; Telephone: 617-852-1000. Comprised of executives and administrators who handle the claims function for companies writing life, health or accident insurance.

LIFE ADVERTISERS ASSOCIATION: 1040 Woodcock Road, Orlando, Florida 32803; Telephone: 305-894-0921; President, Mary G. Hickey; Secretary, Peter A. Bogren. An organization of persons interested in life insurance advertising, sales promotion, public and policyholder relations and company communications. Conducts workshops, distributes case histories describing specific activities of member companies and makes awards for outstanding materials.

THE LIFE UNDERWRITER TRAINING COUNCIL: 1922 F Street, N.W., Washington, D.C. 20006; Telephone: 202-393-5240; Chairman of the Board, William B. Wallace, CLU; President, Loran E. Powell, CLU. An organization which provides sales training in life and health insurance at intermediate levels. Members are agents taking part in sales training courses sponsored by local life underwriter associations.

MILLION DOLLAR ROUND TABLE: 2340 River Road, Des Plaines, Illinois 60018; Telephone: 312-298-1120; President, Paul L. Oliver, Jr., CLU; Executive Vice President, Roderick L. Geer. Composed of life insurance agents who consistently sell at least $1¼ million face amount of life insurance annually and maintain membership in the National Association of Life Underwriters.

NATIONAL ASSOCIATION OF LIFE UNDERWRITERS: 1922 F Street, N.W., Washington, D.C. 20006; Telephone: 202-331-6000; President, Bart Hodges, CLU; Executive Vice President, Jack E. Bobo, CLU. An organization working through local groups of agents, which sponsors sales congresses and

seminars, promotes high ethical standards, participates in community service projects and supports legislation in the interest of the insuring public and the agency system.

SOCIETY OF ACTUARIES: 208 South LaSalle Street, Chicago, Illinois 60604; Telephone: 312-236-3833; President, E. Paul Barnhart; Executive Director, John E. O'Connor, Jr. Organization of individuals trained in the application of mathematical probabilities to the design of insurance and pension programs. Sponsors examinations leading to designation of Fellow or Associate in Society.

OTHER ORGANIZATIONS

THE AMERICAN COLLEGE: 270 Bryn Mawr Avenue, Bryn Mawr, Pennsylvania 19010; Telephone: 215-896-4500; Chairman of the Board, Dr. John T. Fey; President, Dr. Davis W. Gregg, CLU. Provides an educational program through the S.S. Huebner School of CLU. Studies leading to the award of the CLU (Chartered Life Underwriter) diploma and professional designation, fosters continued educational growth through its School of Advanced Career Studies, and grants the degree of Master of Science in Financial Services through the Graduate School of Financial Sciences. Accredited by the Middle States Association of Colleges and Schools.

S.S. HUEBNER FOUNDATION FOR INSURANCE EDUCATION: W-145 Dietrich Hall/CC, University of Pennsylvania, Philadelphia, Pennsylvania 19104; Telephone: 215-243-7621; Chairman of the Board of Trustees, Frank K. Tarbox; Chairman of the Administrative Board and Executive Director, Dr. Dan M. McGill. Makes fellowship grants for doctoral study and publishes research studies in the field of insurance.

MEDICAL INFORMATION BUREAU: P.O. Box 801, Boston, Massachusetts 02103; Telephone: 617-282-1500; Chairman of the Board, Alan N. Ferguson, M.D.; President, Neil M. Day. A nonprofit, central information exchange supported by more than 700 member life insurance companies, as an aid to underwriting. With the applicant's written consent, statements about health or risk activities can be checked with the Medical Information Bureau, an association of member life insurance companies founded by medical directors to alert underwriters to inaccuracies, omissions and willful attempts at fraud.

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS: 633 West Wisconsin Avenue, Suite 1015, Milwaukee, Wisconsin 53203; Telephone: 414-271-4464; President, Honorable H.P. Hudson; Executive Secretary, Jon S. Hanson. An organization of state officials supervising insurance, which promotes uniformity of legislation and regulation affecting insurance.

NATIONAL FRATERNAL CONGRESS OF AMERICA: 230 West Monroe Street, Chicago, Illinois 60606; Telephone: 312-782-3446; President, George E. Owen; Executive Vice President, Raymond A. Klee; Secretary-Treasurer, Jonni Miklos. A federation of fraternal benefit societies writing life, accident and health insurance.

GLOSSARY

A

Accidental death benefit. *A benefit in addition to the face amount of a life insurance policy, payable if the insured dies as the result of an accident. Sometimes referred to as "double indemnity."*

Actuary. *A person professionally trained in the technical aspects of insurance and related fields, particularly in the mathematics of insurance—such as the calculation of premiums, reserves and other values.*

Adjustable life insurance. *A type of insurance that allows the insured to switch the type of protection, raise or lower the face amount of the policy, increase or decrease the premium and lengthen or shorten the protection period.*

Agent. *A sales and service representative of an insurance company. Life insurance agents may also be called life underwriters.*

Annuitant. *The person during whose life an annuity is payable, usually the person to receive the annuity.*

Annuity. *A contract that provides a periodic income at regular intervals for a specified period of time, such as number of years or for life.*

Annuity certain. *A contract that provides an income for a specified number of years, regardless of life or death.*

Annuity consideration. *The payment, or one of the regular periodic payments, an annuitant makes for an annuity.*

Application. *A statement of information made by a person applying for life insurance. It helps the life insurance company assess the acceptability of the risk.*

Assignment. *The legal transfer of one person's interest in an insurance policy to another person.*

B

Beneficiary. *The person named in the policy to receive the insurance proceeds at the death of the insured.*

Broker. *A sales and service representative who handles insurance for his clients, generally selling insurance of various kinds and for several companies.*

Business life insurance. *Life insurance purchased by a business enterprise on the life of a member of the firm. It is often bought by partnerships to protect the surviving partners against loss caused by the death of a partner, or by a corporation to reimburse it for loss caused by the death of a key employee.*

C

Cash surrender value. *The amount available in cash upon voluntary termination of a policy by its owner before it becomes payable by death or maturity.*

Certificate. *A statement issued to individuals insured under a group policy, setting forth the essential provisions relating to their coverage.*

Claim. *Notification to an insurance company that payment of an amount is due under the terms of a policy.*

Convertible term insurance. *Term insurance which can be exchanged, at the option of the policyholder and without evidence of insurability, for another plan of insurance.*

Credit life insurance. *Term life insurance issued through a lender or lending agency to cover payment of a loan, installment purchase, or other obligation, in case of death.*

D

Declination. *The rejection by a life insurance company of an application for life insurance, usually for reasons of the health or occupation of the applicant.*

Deferred annuity. *An annuity providing for the income payments to begin at some future date.*

Deferred group annuity. *A type of group annuity providing for the purchase each year of a paid-up deferred annuity for each member of the group, the total*

amount received by the member at retirement being the sum of these deferred annuities.

Deposit administration group annuity. *A type of group annuity providing for the accumulation of contributions in an undivided fund out of which annuities are purchased as the individual members of the group retire.*

Disability benefit. *A feature added to some life insurance policies providing for waiver of premium, and sometimes payment of monthly income, if the policyholder becomes totally and permanently disabled.*

Dividend. *A return of part of the premium on participating insurance to reflect the difference between the premium charged and the combination of actual mortality, expense and investment experience. Such premiums are calculated to provide some margin over the anticipated cost of the insurance protection.*

Dividend addition. *An amount of paid-up insurance purchased with a policy dividend and added to the face amount of the policy.*

E

Endowment. *Life insurance payable to the policyholder if he is living, on the maturity date stated in the policy, or to a beneficiary if the policyholder dies prior to that date.*

Expectation of life. *The average number of years of life remaining for persons of a given age according to a particular mortality table.*

Extended term insurance. *A form of insurance available as a nonforfeiture option. It provides the original amount of insurance for a limited period of time.*

F

Face amount. *The amount stated on the face of the policy that will be paid in case of death or at the maturity of the policy. It does not include additional amounts payable under accidental death or other special provisions, or acquired through the application of policy dividends.*

Family income policy. *A life insurance policy, combining whole life and decreasing term insurance, under which the beneficiary receives income payments to the end of a specified period if the insured dies prior to the end of the period, and the face amount of the policy either at the end of the period if the insured dies prior to the end of the period, under the term rider portion of the contract and the face amount of the policy either at the end of the period or at the death of the insured.*

Family policy. *A life insurance policy providing insurance on all or several family members in one contract, generally whole life insurance on the husband and smaller amounts of term insurance on the wife and children, including those born after the policy is issued.*

Fraternal life insurance. *Life insurance provided by fraternal orders or societies to their members.*

G

Geographic divisions (in the United States)

NORTHEAST
- *New England: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont*
- *Middle Atlantic: New Jersey, New York, Pennsylvania*

NORTH CENTRAL
- *East North Central: Illinois, Indiana, Michigan, Ohio, Wisconsin*
- *West North Central: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota*

SOUTH
- *South Atlantic: Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia*
- *East South Central: Alabama, Kentucky, Mississippi, Tennessee*
- *West South Central: Arkansas, Louisiana, Oklahoma, Texas*

WEST
- *Mountain: Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming*
- *Pacific: Alaska, California, Hawaii, Oregon, Washington.*

Grace period. *A period (usually 30 or 31 days) following the premium due date, during which an overdue premium may be paid without penalty. The policy remains in force throughout this period.*

Group annuity. *A pension plan providing annuities at retirement to a group of people under a master contract. It is usually issued to an employer for the*

benefit of employees. The individual members of the group hold certificates as evidence of their annuities.

Group life insurance. *Life insurance usually without medical examination, on a group of people under a master policy. It is typically issued to an employer for the benefit of employees. The individual members of the group hold certificates as evidence of their insurance.*

I

Individual policy pension trust. *A type of pension plan, frequently used for small groups, administered by trustees who are authorized to purchase individual level premium policies or annuity contracts for each member of the plan. The policies usually provide both life insurance and retirement benefits.*

Industrial life insurance. *Life insurance issued in small amounts, usually less than $1,000, with premiums payable on a weekly or monthly basis. The premiums are generally collected at the home by an agent of the company.*

Insurability. *Acceptability to the company of an applicant for insurance.*

Insurance examiner. *The representative of a state insurance department assigned to participate in the official audit and examination of the affairs of an insurance company.*

Insured life. *The person on whose life the policy is issued.*

L

Lapsed policy. *A policy terminated for nonpayment of premiums. The term is sometimes limited to a termination occurring before the policy has a cash or other surrender value.*

Legal reserve life insurance company. *A life insurance company operating under state insurance laws specifying the minimum basis for the reserves the company must maintain on its policies.*

Level premium life insurance. *Life insurance for which the premium remains the same from year to year. The premium is more than the actual cost of protection during the earlier years of the policy and less than the actual cost in the later years. The building of a reserve is a natural result of level premiums. The overpayments in the early years, together with the interest that is to be earned, serve to balance out the underpayments of the later years.*

Life annuity. *A contract that provides an income for life.*

Life expectancy. *The average number of years of life remaining for persons of a given age according to a particular mortality table.*

Life insurance in force. *The sum of the face amounts, plus dividend additions, of life insurance policies outstanding at a given time. Additional amounts payable under accidental death or other special provisions are not included.*

Limited payment life insurance. *Whole life insurance on which premiums are payable for a specified number of years or until death if death occurs before the end of the specified period.*

M

Master policy. *A policy that is issued to an employer or trustee, establishing a group insurance plan for designated members of an eligible group.*

Mortality table. *A statistical table showing the death rate at each age, usually expressed as so many per thousand.*

Mutual life insurance company. *A life insurance company without stockholders whose management is directed by a board elected by the policyholders. Mutual companies, in general, issue participating insurance.*

N

Nonforfeiture option. *One of the choices available to the policyholder if he discontinues premium payments on a policy with a cash value. This, if any, may be taken in cash, as extended term insurance or as reduced paid-up insurance.*

Nonparticipating life insurance. *Life insurance on which the premium is calculated to cover as closely as possible the anticipated costs of insurance protection with no dividends payable.*

O

Ordinary life insurance. *Life insurance usually issued in amounts of $1,000 or more with premiums payable on an annual, semiannual, quarterly or monthly basis.*

P

Paid-up insurance. *Insurance on which all required premiums have been paid. The term is frequently used to mean the reduced paid-up insurance available as a nonforfeiture option.*

Participating life insurance. *Insurance on which the policyholder is entitled to receive policy dividends reflecting the difference between the premium charged and actual experience. The premium is calculated to provide some margin over the anticipated cost of the insurance protection.*

Permanent life insurance. *A phrase used to cover any form of life insurance except term; generally insurance that accrues cash value, such as whole life or endowment.*

Policy. *The printed legal document stating the terms of the insurance contract that is issued to the policyholder by the company.*

Policy dividend. *A refund of part of the premium on a participating life insurance policy reflecting the difference between the premium charged and actual experience.*

Policy loan. *A loan made by a life insurance company from its general funds to a policyholder on the security of the cash value of his policy.*

Policy reserves. *The measure of the funds that a life insurance company holds specifically for fulfillment of its policy obligations. Reserves are required by law to be so calculated that, together with future premium payments and anticipated interest earnings, they will enable the company to pay all future claims.*

Premium. *The payment, or one of the periodical payments, a policyholder agrees to make for an insurance policy.*

Premium loan. *A policy loan made for the purpose of paying premiums.*

R

Rated policy. *Sometimes called an "extra-risk" policy, an insurance policy issued at a higher-than-standard premium rate to cover the extra risk where, for example, a policyholder has impaired health or a hazardous occupation.*

Reduced paid-up insurance. *A form of insurance available as a nonforfeiture option. It provides for continuation of the original insurance plan, but for a reduced amount.*

Renewable term insurance. *Term insurance which can be renewed at the end of the term, at the option of the policyholder and without evidence of insurability, for a limited number of successive terms. The rates increase at each renewal as the age of the insured increases.*

Reserve. *The amount required to be carried as a liability in the financial statement of an insurer, to provide for future commitments under policies outstanding.*

Rider. *A special policy provision or group of provisions that may be added to a policy to expand or limit the benefits otherwise payable.*

S

Separate account. *An asset account established by a life insurance company separate from other funds, used primarily for pension plans and variable life products. This arrangement permits wider latitude in the choice of investments, particularly in equities.*

Settlement options. *The several ways, other than immediate payment in cash, which a policyholder or beneficiary may choose to have policy benefits paid. See also* Supplementary contracts.

Stock life insurance company. *A life insurance company owned by stockholders who elect a board to direct the company's management. Stock companies, in general, issue non-participating insurance, but may also issue participating insurance.*

Straight life insurance. *Whole life insurance on which premiums are payable for life.*

Supplementary contract. *An agreement between a life insurance company and a policyholder or beneficiary by which the company retains the cash sum payable under an insurance policy and makes payments in accordance with the settlement option chosen.*

T

Term insurance. *Life insurance payable to a beneficiary only when a policyholder dies within a specified period.*

U

Underwriting. *The process by which a life insurance company determines whether or not it can accept an application for life insurance, and if so, on what basis.*

V

Variable annuity. *An annuity contract in which the amount of each periodic income payment fluctuates. The fluctuation may be related to security market values, a cost of living index, or some other variable factor.*

Variable life insurance. *Life insurance under which the benefits relate to the value of assets behind the contract at the time the benefit is paid. In the United States, the amount of death benefit payable would, under variable life policies that have been proposed, never be less than the initial death benefit payable under the policy.*

Variable premium life insurance. *A whole life type of protection with premiums geared to the insuring company's rate of return on investments.*

W

Waiver of premium. *A provision that under certain conditions an insurance policy will be kept in full force by the company without further payment of premiums. It is used most often in the event of total and permanent disability.*

Whole life insurance. *Life insurance payable to a beneficiary at the death of the policyholder whenever that occurs. Premiums may be payable for a specified number of years (limited payment life) or for life (straight life).*

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of information
about life insurance.

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FOREWORD

The Life Insurance Fact Book, now in its 35th year of publication, is presented annually as part of the life insurance business's continuing commitment to public accountability. As the principal source of statistics about the life insurance business, this text summarizes the year's developments with text, tables and charts, together with historical information.

The Fact Book reports on the United States business of all legal reserve life insurance companies operating in this country, and the total domestic and foreign business of U.S. life companies. Information on life insurance issued by fraternal benefit societies operating in the U.S. and Canada is included in various parts of the text and in statistical material on pages 101 and 102.

Some insurance companies, through parent corporations or by ownership of subsidiaries, engage in other financial services, such as mutual funds. While the Fact Book includes descriptive information on these services, the statistics reflect only insurance operations.

The Fact Book data are derived from annual statements provided by life insurance companies, and through surveys conducted by the Council. Assistance is also given by commercial publishers of life insurance statistics, government agencies and other life insurance organizations.

The constructive comments of many people over the years have helped the Fact Book to become established as a useful and reliable source of information about the life insurance business. Additional information about life insurance and related topics is available, although impractical to publish, and therefore inquiry is invited.

ROBERT N. CHIAPPETTA, A.S.A.
Director
Information, Reference and Statistical Services

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KEY LIFE INSURANCE STATISTICS

	1969	1978	1979	% Change 1978-77	% Change 1979-78
Life Insurance in Force in the United States *(000,000 Omitted)*					
Ordinary	$ 682,453	$1,425,095	$1,585,878	10.5	11.3
Group	488,864	1,243,994	1,419,418	11.6	14.1
Industrial	38,614	38,080	37,794	- 2.5	- .8
Credit	74,598	163,081	179,250	17.0	9.9
Total	$1,284,529	$2,870,250	$3,222,340	11.1	12.3
Average Amounts of Life Insurance in Force in the United States					
Per Family	$ 19,400	$ 35,100	$ 38,500	8.3	9.7
Per Insured Family	$ 22,800	$ 40,800	$ 44,800	9.2	9.8
Life Insurance Purchases in the United States* *(000,000 Omitted)*					
Ordinary	$ 113,500	$ 283,067	$ 323,640	14.4	14.3
Group	39,329	125,129	159,998	8.0	27.9
Industrial	6,454	6,015	5,165	- 7.5	-14.1
Total	$ 159,283	$ 414,211	$ 488,803	12.0	18.0
Benefit Payments in the United States *(000,000 Omitted)*					
Payments to Beneficiaries	$ 6,758	$ 11,108	$ 11,766	8.9	5.9
Payments to Policyholders	6,846	11,643	13,071	5.9	12.3
Payments to Annuitants	1,920	5,863	7,548	11.3	28.7
Total	$ 15,524	$ 28,614	$ 32,385	8.1	13.2
Premium Receipts of U.S. Life Companies *(000,000 Omitted)*					
Life Insurance	$ 20,491	$ 36,592	$ 39,083	8.4	6.8
Annuity Considerations	3,762	16,339	17,939	9.1	9.8
Health Insurance	9,743	25,829	27,894	9.5	8.0
Total	$ 33,996	$ 78,760	$ 84,916	8.9	7.8
Assets of U.S. Life Companies *(000,000 Omitted)*					
Government Securities	$ 10,914	$ 26,552	$ 29,719	12.7	11.9
Corporate Bonds	70,859	156,044	168,990	13.2	8.3
Stocks	13,707	35,518	39,757	5.2	11.9
Mortgages	72,027	106,167	118,421	9.6	11.5
Policy Loans	13,825	30,146	34,825	9.4	15.5
Other Assets	15,876	35,497	40,570	10.5	14.3
Total	$ 197,208	$ 389,924	$ 432,282	10.9	10.9
Net Rate of Investment Income of U.S. Life Insurance Companies (Before Federal Income Taxes)					
Including Separate Accounts	5.12%	7.31%	7.73%	—	—
Excluding Separate Accounts	5.15%	7.39%	7.78%	—	—

Note: Some data are revised from previous editions.

*Data for 1969 exclude all credit life insurance. Data for 1978 and 1979 include credit life insurance on loans of more than ten years' duration. Data for 1979 are preliminary.

Sources: American Council of Life Insurance and Life Insurance Marketing and Research Association.

LIFE INSURANCE IN 1979

During a year in which the nation as a whole experienced the highest rate of inflation in decades, the life insurance business was affected in a variety of ways.

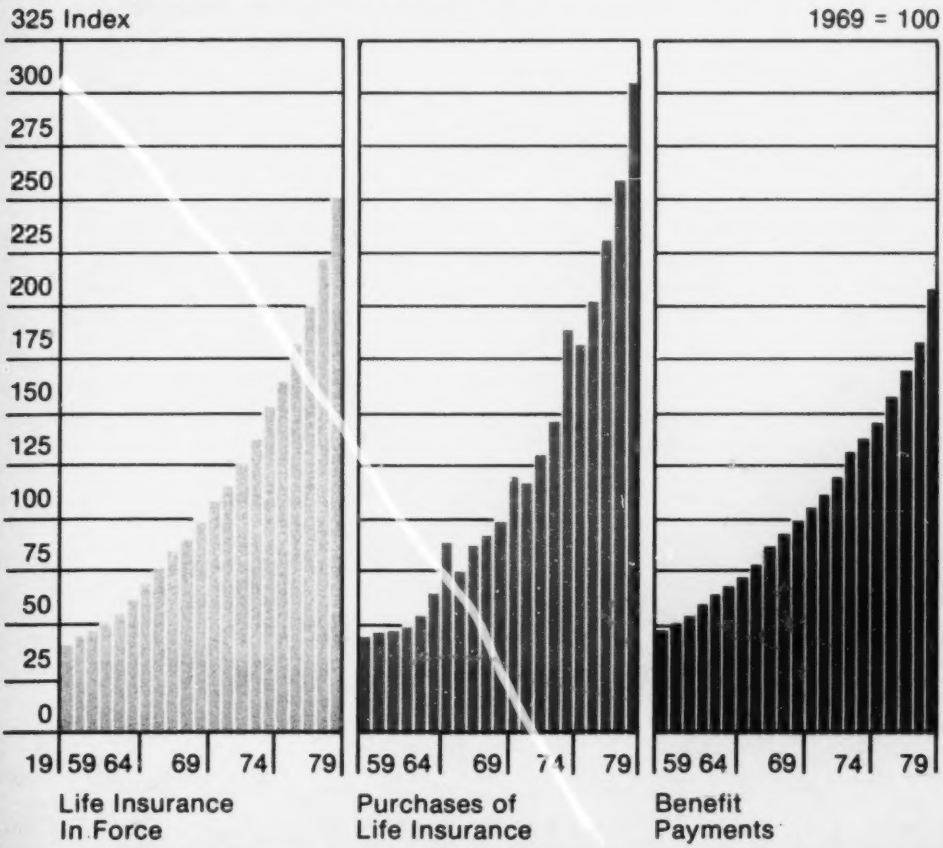
Both life insurance in force and life insurance purchases reached all time highs, exhibiting the largest increases in recent years. Assets, particularly policy loans, and the net earnings rate also grew markedly. On the other hand, benefits, surrender payments, voluntary lapse rates showed large increases.

Purchases of new life insurance were $488.8 billion—an 18.0% increase in a year. Life insurance in force topped $3,222.3 billion, bringing the average amount of life insurance per family to $38,500, $3,400 more than in 1978.

Life insurance issued by U.S. legal reserve life insurance companies was owned by 86% of American families; the average amount of life insurance owned by insured families was $44,800.

Two-thirds of the individuals in this nation owned some form of life insurance—most through legal reserve life insurance companies.

Relative Growth in Life Insurance In Force, Purchases of Life Insurance, and Benefit Payments In the United States 1959-1979



The volume of purchases of ordinary life insurance was over $323.6 billion, a 14.3% increase over 1978. Although the volume of group insurance has been steadily increasing, ordinary life insurance still accounts for nearly one-half of all life insurance in force.

While total premium receipts for all legal reserve life insurance companies increased 7.8%, to $84.9 billion, the largest gain was in annuity considerations—up 9.8%.

Benefit payments—excluding health insurance—reached a record $32.4 billion, up 13.2%. Payments to beneficiaries in 1979 totaled $11.8 billion. Some $13.1 billion was paid to life insurance policyholders and $7.5 billion to annuitants.

Assets of U.S. life insurance companies totaled $432.3 billion at year-end 1979. This was an increase of $42.4 billion, or 10.9%, from 1978 year-end.

Policy loans in 1979 increased 15.5% over 1978, the largest increase in any recent year, and totaled $34.8 billion, or 8.1% of assets at year-end.

The next largest increases were in investments in government securities (11.9%), stocks (11.9%) and mortgages (11.5%).

The net rate of investment earnings rose from 7.39% to 7.78% (excluding separate accounts) before Federal taxes—an all-time high.

Other highlights of the life insurance business in 1979 include:

- Dollar volume of payments to beneficiaries rose 5.9% from 1978. The average size of death benefit payments was 8.4% larger.
- Life insurance premiums continued to account for a decreasing percentage of premium income as the volume of annuity considerations and health insurance premiums increased. In 1979, 46.0% of premium income came from life insurance; 10 years earlier life insurance accounted for 60.3%.
- Policy reserves totaled $351.6 billion in 1979, 53.5% of which were life insurance reserves.
- Separate account assets totaled $25.6 billion at the end of 1979, a 25.5% increase during the year. Although these accounts continue to consist primarily of stocks, bond holdings increased 39.1% during 1979.
- Nearly 23.5 million persons are now covered by private pension plans with life insurance companies. The total reserves of such plans were $139.2 billion in 1979, an increase of $20.1 billion, or 16.8%, over year-end 1978. Payments to annuitants and survivors amounted to $4.4 billion.

LIFE INSURANCE PURCHASES

Americans purchased $488.8 billion of new life insurance in 1979, an increase of 18.0% over 1978.

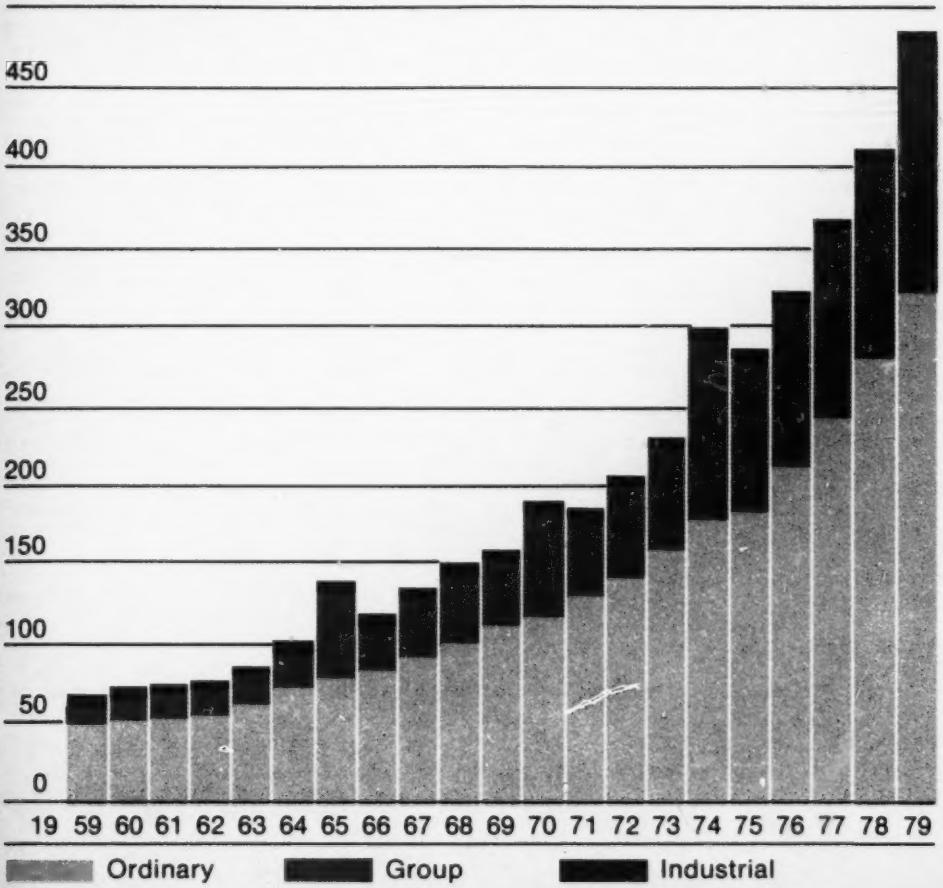
People buy life insurance for many reasons, but mainly to provide financial protection for their families if they themselves should die prematurely. A person creates an estate, or adds to one, with a life insurance policy, and the future of that estate is protected as the policy is maintained over the years.

Two-thirds of new life insurance protection purchased in the United States in 1979 was bought on an individual basis — that is, by personal or family decision — usually through a life insurance agent. Purchases of ordinary life insurance increased in 1979, totaling $323.6 billion, a rise of 14.3% during the year. This follows an increase of 14.4% during 1978.

Purchases of industrial life insurance, the other type of individual coverage, came to $5.2 billion during 1979, a decrease of $850 million from 1978.

Group purchases totaled $160.0 billion, $34.9 billion above the 1978 total. Nearly two-fifths of group life purchased in 1979 was under new master

Life Insurance Purchases in the United States



Purchases of Ordinary Life Insurance in the United States by State *(000,000 Omitted)*

(Exclusive of Revivals, Increases, Dividend Additions and Reinsurance Acquired)

State	1973	1974	1975	1976	1977	1978	1979
Alabama	$ 2,728	$ 3,008	$ 3,259	$ 3,946	$ 4,544	$ 5,162	$ 5,874
Alaska	258	309	378	450	473	552	653
Arizona	1,912	2,106	2,151	2,319	2,772	3,445	4,268
Arkansas	1,175	1,325	1,337	1,629	1,993	2,185	2,532
California	16,521	19,149	19,714	22,517	26,905	31,329	37,370
Colorado	2,531	2,815	3,099	3,470	3,976	4,748	5,589
Connecticut	2,453	2,839	2,846	3,263	3,589	4,022	4,597
Delaware	447	508	517	570	642	714	796
D.C.	581	649	753	723	795	905	968
Florida	7,071	8,391	8,050	9,120	10,582	12,225	14,360
Georgia	4,616	5,158	5,239	6,141	7,039	8,202	9,392
Hawaii	932	1,040	1,106	1,190	1,280	1,465	1,718
Idaho	570	698	747	890	1,067	1,294	1,393
Illinois	9,356	10,536	11,052	12,389	14,145	15,684	17,384
Indiana	4,252	4,780	4,693	5,333	6,218	6,956	8,048
Iowa	2,185	2,576	2,774	3,132	3,750	4,281	4,688
Kansas	1,973	2,183	2,371	2,717	3,212	3,530	4,072
Kentucky	1,962	2,302	2,453	2,864	3,300	3,707	4,205
Louisiana	2,815	3,120	3,398	4,046	5,020	6,082	7,083
Maine	657	726	718	820	923	1,025	1,079
Maryland	3,225	3,625	3,823	4,298	4,773	5,295	5,822
Massachusetts	4,231	4,567	4,528	4,953	5,473	6,071	7,416
Michigan	5,827	6,282	6,276	7,126	8,318	9,245	10,584
Minnesota	2,743	3,174	3,237	3,697	4,362	5,032	5,853
Mississippi	1,376	1,491	1,512	1,755	2,217	2,648	3,006
Missouri	3,507	3,924	4,067	4,620	5,311	6,061	6,730
Montana	578	622	650	724	899	1,019	1,127
Nebraska	1,367	1,559	1,584	1,817	2,191	2,525	2,857
Nevada	417	476	481	586	774	894	1,052
New Hampshire	651	691	698	842	1,017	1,121	1,315
New Jersey	6,274	7,001	7,183	7,771	8,605	9,471	10,723
New Mexico	776	872	919	1,038	1,281	1,514	1,783
New York	13,116	14,287	14,323	15,449	16,827	18,452	20,027
North Carolina	3,881	4,603	4,795	5,464	6,280	7,183	8,018
North Dakota	459	535	600	719	805	1,032	1,218
Ohio	8,518	9,348	9,455	10,531	11,826	13,537	15,381
Oklahoma	2,114	2,389	2,506	2,791	3,535	4,123	4,771
Oregon	1,475	1,673	1,696	1,981	2,503	2,940	3,265
Pennsylvania	8,319	9,220	9,283	10,302	11,669	13,125	14,596
Rhode Island	724	811	800	970	1,014	1,101	1,334
South Carolina	2,030	2,347	2,427	2,840	3,249	3,793	4,337
South Dakota	526	636	625	753	852	1,018	1,128
Tennessee	3,108	3,534	3,736	4,436	5,140	5,899	6,610
Texas	10,496	11,711	12,403	14,823	17,135	20,356	23,556
Utah	1,014	1,152	1,234	1,479	1,871	2,238	2,597
Vermont	358	371	356	414	453	524	570
Virginia	3,791	4,221	4,275	4,984	6,199	7,119	7,932
Washington	2,431	2,725	2,923	3,376	4,074	4,684	5,515
West Virginia	926	1,055	1,143	1,325	1,536	1,714	1,936
Wisconsin	2,988	3,326	3,456	3,955	4,524	5,198	5,738
Wyoming	265	309	354	436	510	622	774
Total U.S.	$162,506	$182,755	$188,003	$213,784	$247,453	$283,067	$323,640

Note: The series includes mass-marketed ordinary insurance. Beginning with 1974, data include long-term individual credit insurance. Data for 1978 are revised and data for 1979 are preliminary.

Sources: Life Insurance Marketing and Research Association and American Council of Life Insurance.

Life Insurance Purchases in the United States

(Exclusive of Revivals, Increases, Dividend Additions and Reinsurance Acquired)

	Ordinary		Group		Industrial		Total	
Year	Policies (000 Omitted)	Amount (000,000 Omitted)	Certificates (000 Omitted)	Amount (000,000 Omitted)	Policies (000 Omitted)	Amount (000,000 Omitted)	Number (000 Omitted)	Amount (000,000 Omitted)
1940	3,855	$ 6,689	285	$ 691	14,017	$3,350	18,157	$ 10,730
1945	4,343	9,859	681	1,265	11,869	3,430	16,893	14,554
1950	5,279	17,326	2,631	6,068	14,924	5,402	22,834	28,796
1955	7,572	30,827	2,217	11,258*	14,356	6,342	24,145	48,427*
1960	8,734	52,883	3,734	14,645	12,287	6,880	24,755	74,408
1965	9,937	83,485	7,007	51,385†	10,492	7,296	27,436	142,166†
1966	10,131	88,693	4,055	26,219	9,764	7,078	23,950	121,990
1967	10,192	94,694	4,353	39,118*	9,404	7,056	23,949	140,868*
1968	10,461	103,944	4,875	39,877*	8,417	6,674	23,753	150,495*
1969	10,588	113,500	5,156	39,329	7,916	6,454	23,660	159,283
1970	10,968	122,820	5,219	63,690†	7,582	6,612	23,769	193,122†
1971	11,281	132,130	5,403	49,407	8,326	7,274	25,010	188,811
1972	11,844	145,479	6,698	55,857	8,123	7,394	26,665	208,730
1973	12,198	162,506	7,065	64,461	7,506	7,224	26,769	234,191
1974	12,763	182,755	7,994	111,622†	6,747	6,680	27,504	301,057†
1975	12,549	188,003	8,146	95,190†	6,397	6,729	27,092	289,922†
1976	13,219	213,784	9,145	104,583	5,962	6,382	28,326	324,849
1977	13,679	247,453	9,599	115,839	5,859	6,504	29,137	369,796
1978	13,987	283,067	9,267	125,129	5,445	6,015	28,699	414,211
1979	14,092	323,640	11,347	159,998	4,515	5,165	29,954	488,803

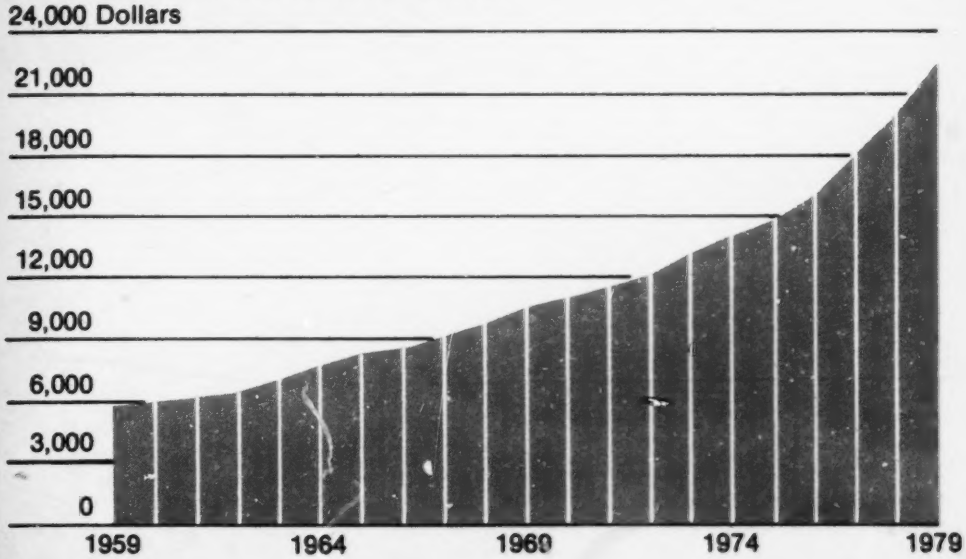
Note: Figures from 1940-1973 exclude all credit life insurance. Beginning with 1974, data include long-term credit insurance (life insurance on loans of more than ten years' duration). Data for 1978 are revised and data for 1979 are preliminary.

*Includes Federal Employees' Group Life Insurance of $1.9 billion in 1955, $8.3 billion in 1967 and $3.4 billion in 1968.

†Includes Servicemen's Group Life Insurance of $27.8 billion in 1965, $17.1 billion in 1970, $29.2 billion in 1974 and $1.7 billion in 1975.

Sources: Life Insurance Marketing and Research Association and American Council of Life Insurance.

Average Size Ordinary Life Insurance Policy Purchased in the United States



Analysis of Ordinary Life Insurance Purchases in the United States

	% of Policies		% of Amount	
	1968	1978	1968	1978
SEX OF INSURED				
Male Insureds Under 15	9	9	3	3
Female Insureds Under 15	8	7	2	2
Male Adults	61	55	85	76
Female Adults	22	29	10	19
Total	100	100	100	100
AGE OF INSURED				
Under 15	17	15	4	5
15-24	32	28	27	19
25-34	25	31	36	40
35-44	15	15	22	24
45 or Over	11	11	11	12
Total	100	100	100	100
INCOME OF INSURED*				
Under $5,000	24	1	10	†
$5,000-$7,499	38	10	29	4
$7,500-$9,999	17	15	18	8
$10,000-$24,999	17	59	30	55
$25,000 or Over	4	15	13	33
Total	100	100	100	100
SIZE OF POLICY				
Under $2,000	17	4	1	†
$2,000-$4,999	17	10	4	1
$5,000-$9,999	21	16	11	4
$10,000-$24,999	33	37	39	20
$25,000 or Over	12	33	45	75
Total	100	100	100	100
TYPE OF POLICY				
Straight Life	29	35	26	26
Limited Payment Life	20	15	8	6
Endowment	7	4	3	2
Retirement Income	3	2	2	1
Modified Life	4	5	4	4
Level or Decreasing Term	9	18	21	38
Family Plan	4	2	3	2
with Additional Term	3	1	6	1
Regular Policy with F/P Rider	4	5	4	5
and Additional Term	2	1	5	2
Combination	13	9	17	10
Progressive and Other	2	3	1	3
Total	100	100	100	100
MODE OF PREMIUM PAYMENT				
Annual	20	19	27	26
Semiannual	6	6	6	7
Quarterly	13	12	13	11
Monthly Debit‡	26	20	11	6
Bank Plan**	12	27	17	32
Other Monthly	19	11	22	13
Salary Savings	4	5	4	5
Total	100	100	100	100

Note: Figures exclude credit life insurance.

*Ages 0-14 and persons without gainful income excluded.

†Less than .5%.

‡Includes a small amount of weekly premium ordinary.

**Most common frequency is monthly.

Source: Life Insurance Marketing and Research Association.

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contracts issued chiefly to employers. The remaining three-fifths was under existing contracts broadened to include additional categories of employees or to increase overall levels of coverage. Increases resulting from higher salaries or enlarged employee groups are not considered new purchases. Purchases in 1979 included $4.6 billion of new group coverage for employees' dependents.

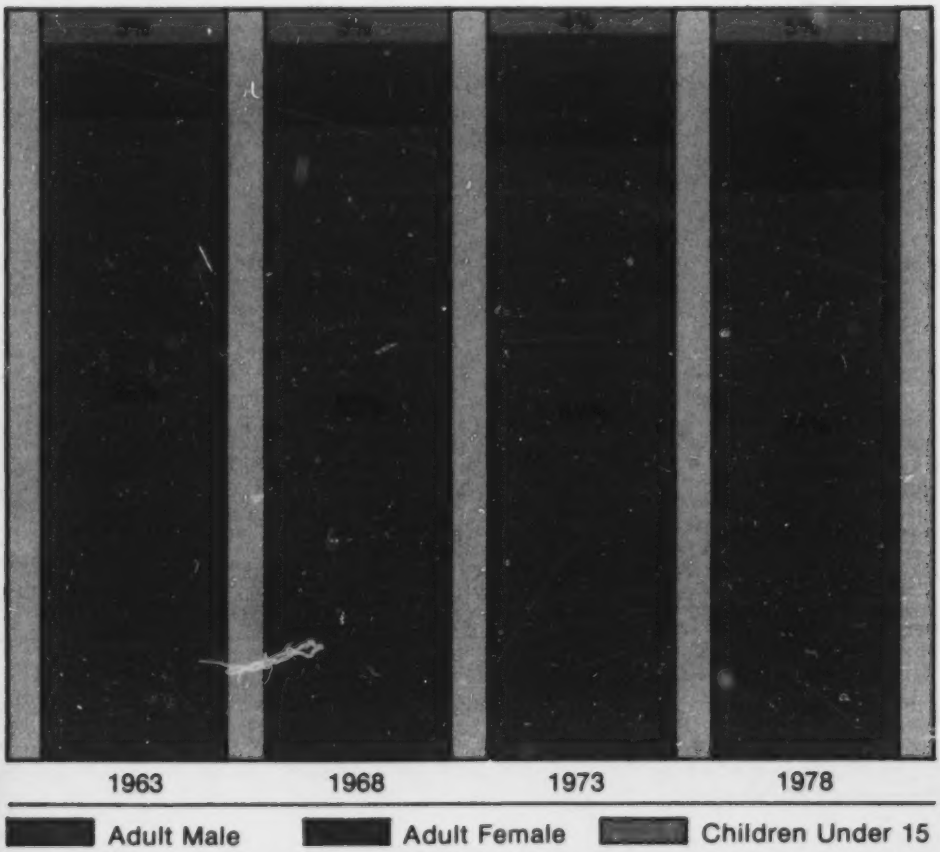
Of the 30.0 million new life insurance policies and certificates purchased during the year, 14.1 million were ordinary policies, 4.5 million were industrial policies and 11.4 million were group certificates.

The average size of the ordinary policies being bought continues to increase. In 1969, for example, the average new ordinary policy was $10,720; by 1974, the amount had increased to $14,320; in 1978, to $20,240; and in 1979, to $22,970.

A sample survey of ordinary life insurance purchased by Americans in 1978 showed that three-fifths of all new policies were for people between the ages of 15 and 34. An analysis of the volume of ordinary life insurance purchased over the ten-year period of 1968 to 1978 showed a continuing shift towards term insurance. The rising proportion of term insurance has been more evident in the 1970s. Term amounted to 43% of the volume purchased in 1968 and 1973,

Distribution of Amount of Ordinary Life Policies Purchased by Sex of Insured

In the United States



and 52% in 1978. However, permanent (cash value) insurance continues to be the type of ordinary most commonly purchased, either alone or in combination with some term insurance. When measured by numbers of policies purchased, permanent insurance was included in 81% of all ordinary policies sold.

More women are buying life insurance, and the 1978 sample survey reflects the increased proportion of policies and amounts purchased on adult female lives. The ratio of men to women buyers, when measured by policies purchased, was 61 to 22 in 1968 compared with 55 to 29 in 1978. Measured by amounts, the ratios of men to women were 85 to 10 in 1968 and 76 to 19 in 1978.

The average size policy purchased on women's lives has been increasing at a faster rate than that of men. According to the survey results, the average size ordinary policy for women increased by 287% between 1968 and 1978, and increased by 204% for men.

Life Insurance Purchases in U.S. Life Insurance Companies *(000,000 Omitted)*

(Exclusive of Revivals, Increases and Dividend Additions)

Year	Ordinary	Group	Industrial	Total
1921	$ 6,248	$ 128	$1,581	$ 7,957
1925	10,060	1,075	3,143	14,278
1930	11,905	1,381	3,979	17,265
1935	7,550	715	4,033	12,298
1940	7,022	747	3,318	11,087
1945	10,577	1,302	3,512	15,391
1950	18,260	6,237	5,492	29,989
1955	32,207	11,637*	6,399	50,243*
1960	56,183	15,328	6,906	78,417
1961	58,888	19,181	7,248	85,317
1962	61,259	16,260	7,105	84,624
1963	68,862	19,854	7,166	95,882
1964	79,430	25,149	7,320	111,899
1965	89,643	52,867†	7,302	149,812†
1966	95,987	27,589	7,083	130,659
1967	103,823	43,195*	7,052	154,070*
1968	112,820	42,596*	6,675	162,091*
1969	124,124	42,192	6,495	172,811
1970	134,802	65,381†	6,612	206,795†
1971	145,496	55,432	7,651	208,579
1972	159,063	61,920	7,394	228,377
1973	175,629	67,703	7,224	250,556
1974	198,981	117,790†	6,680	323,451†
1975	207,052	102,659†	6,741	316,452†
1976	233,583	112,232	6,382	352,197
1977	277,310	123,844	6,504	407,658
1978	304,136	127,735	6,015	437,886
1979	352,768	169,598	5,165	527,531

Note: Data for 1978 are revised. Totals represent all life insurance issued by U.S. life companies (including both direct business and reinsurance acquired, and without deducting reinsurance ceded) whether the policyholders are residents of the United States or some other country. Figures from 1921-1973 exclude all credit life insurance. Beginning with 1974, data include long-term credit insurance (life insurance on loans of more than ten years' duration).

*Includes Federal Employees' Group Life Insurance of $1.9 billion in 1955, $8.2 billion in 1967 and $3.4 billion in 1968.

†Includes Servicemen's Group Life Insurance of $27.4 billion in 1965, $16.8 billion in 1970, $28.8 billion in 1974 and $1.7 billion in 1975.

Sources: Spectator Year Book, *American Council of Life Insurance and Life Insurance Marketing and Research Association.*

LIFE INSURANCE OWNERSHIP

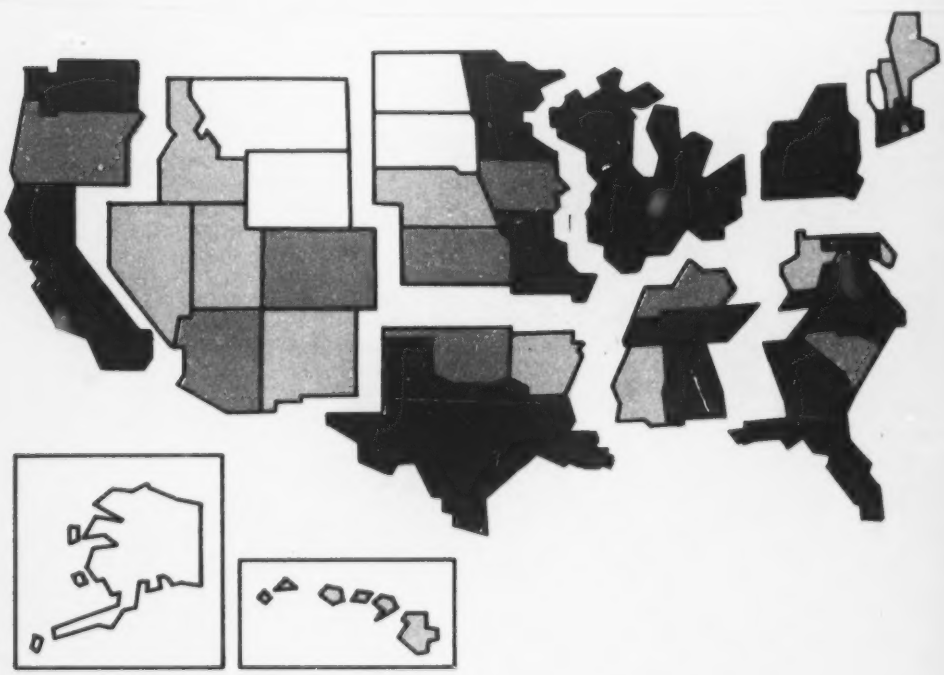
Life insurance in force in the United States reached a new high of $3,222.3 billion at the end of 1979, an increase of $352.1 billion, or 12.3%, over year-end 1978.

If this total of life insurance were divided equally among all American families, each would have had $38,500 of protection at year-end. Excluding families without life insurance, the average for insured families was about $44,800. Despite significant increases in the amounts of coverage, protection for all families was equal to only 24 months of total disposable personal income per family at the end of 1979.

Some 144 million policyholders, or 2 out of 3 people in the country, were insured by legal reserve life insurance companies at the end of 1979.

The East North Central section of the country had the largest amount of coverage. Some $659.5 billion of life insurance was in force there at year-end 1979, followed by the Middle Atlantic with $551.7 billion. By state, California

Life Insurance In Force In the United States by State 1979



☐ Less than $10 Billion ☐ $10 Billion to $25 Billion ■ $25 Billion to $50 Billion

■ $50 Billion to $100 Billion ■ $100 Billion or over

Life Insurance In Force in the United States

(000,000 Omitted)

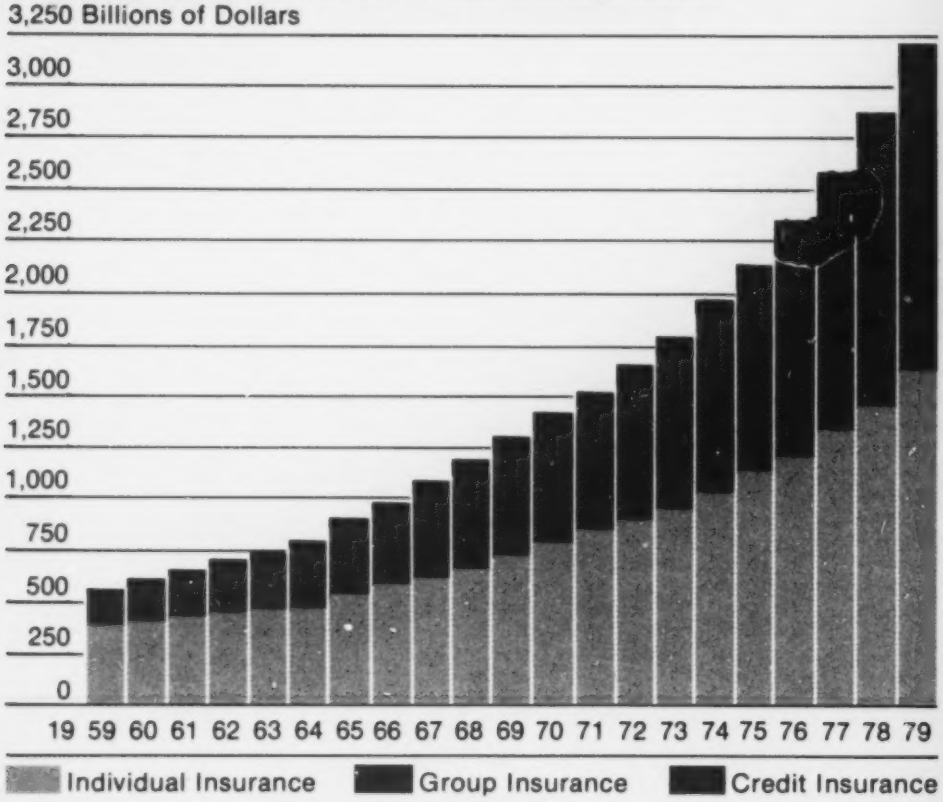
	Ordinary		Group		Industrial		Credit		Total	
Year	No.	Amt.	Cert.	Amt.	No.	Amt.	No.†	Amt.	No.	Amt.
1900	3	$ 6,124	—	—	11	$ 1,449	—	—	14	$ 7,573
1905	5	9,585	—	—	17	2,278	—	—	22	11,863
1910	6	11,783	—	—	23	3,125	—	—	29	14,908
1915	9	16,650	*	$ 100	32	4,279	—	—	41	21,029
1920	16	32,018	2	1,570	48	6,948	*	$ 4	66	40,540
1925	23	52,892	3	4,247	71	12,318	*	18	97	69,475
1930	32	78,576	6	9,801	86	17,963	*	73	124	106,413
1935	33	70,684	6	10,208	81	17,471	1	101	121	98,464
1936	33	72,361	7	11,291	83	18,863	1	138	124	102,653
1937	34	74,836	7	12,638	85	20,104	1	216	127	107,794
1938	35	75,772	7	12,503	85	20,396	2	256	129	108,927
1939	36	77,121	8	13,641	85	20,500	2	307	131	111,569
1940	37	79,346	9	14,938	85	20,866	3	380	134	115,530
1941	39	82,525	10	17,359	87	21,825	3	469	139	122,178
1942	41	85,139	11	19,316	90	22,911	2	355	144	127,721
1943	43	89,596	13	22,413	94	24,874	2	275	152	137,158
1944	46	95,085	13	23,922	98	26,474	2	290	159	145,771
1945	48	101,550	12	22,172	101	27,675	2	365	163	151,762
1946	53	112,818	13	27,206	104	29,313	3	729	173	170,066
1947	56	122,393	16	32,026	106	30,406	5	1,210	183	186,035
1948	58	131,158	16	37,068	106	31,253	6	1,729	186	201,208
1949	61	138,862	17	40,207	107	32,087	8	2,516	193	213,672
1950	64	149,116	19	47,793	108	33,415	11	3,844	202	234,168
1951	67	159,109	21	54,398	109	34,870	12	4,763	209	253,140
1952	70	170,875	24	62,913	111	36,448	14	6,355	219	276,591
1953	73	185,007	26	72,913	112	37,781	18	8,558	229	304,259
1954	76	198,599	29	86,410	111	38,664	21	10,046	237	333,719
1955	80	216,812	32	101,345	112	39,682	28	14,493	252	372,332
1956	83	238,348	35	117,399	110	40,109	32	16,774	260	412,630
1957	87	264,949	37	133,905	108	40,139	34	19,366	266	458,359
1958	89	288,607	39	144,772	104	39,646	35	20,536	267	493,561
1959	93	317,158	41	160,163	102	39,809	38	24,998	274	542,128
1960	95	341,881	44	175,903	100	39,563	43	29,101	282	586,448
1961	97	366,141	46	192,794	98	39,451	45	31,107	286	629,493
1962	99	391,048	49	209,950	95	39,638	47	35,341	290	675,977
1963	102	420,808	51	229,477	93	39,672	52	40,666	298	730,623
1964	104	457,868	55	253,620	92	39,833	58	46,487	309	797,808
1965	107	499,638	61	308,078	89	39,818	63	53,020	320	900,554
1966	109	541,022	65	345,945	88	39,663	69	58,059	331	984,689
1967	113	584,570	69	394,501	84	39,215	70	61,535	336	1,079,821
1968	116	633,392	73	442,778	81	38,827	75	68,357	345	1,183,354
1969	118	682,453	76	488,864	79	38,614	78	74,598	351	1,284,529
1970	120	734,730	80	551,357	77	38,644	78	77,392	355	1,402,123
1971	123	792,318	82	589,883	76	39,202	76	81,931	357	1,503,334
1972	126	853,911	85	640,689	76	39,975	78	93,410	365	1,627,985
1973	128	928,192	88	708,322	75	40,632	78	101,154	369	1,778,300
1974	131	1,009,038	94	827,018	71	39,441	84	109,623	380	1,985,120
1975	134	1,083,421	96	904,695	70	39,423	80	112,032	380	2,139,571
1976	137	1,177,672	100	1,002,647	67	39,175	78	123,569	382	2,343,063
1977	139	1,289,321	106	1,115,047	66	39,045	79	139,402	390	2,582,815
1978	142	1,425,095	111	1,243,994	64	38,080	84	163,081	401	2,870,250
1979	146	1,585,878	115	1,419,418	62	37,794	84	179,250	407	3,222,340

Note: "Credit" is limited to life insurance on loans of ten years' or less duration. "Ordinary" and "Group" include credit life insurance on loans of more than ten years' duration. Totals for "In the United States" represent all life insurance (net of reinsurance) on residents of the United States, whether issued by U.S. or foreign companies. Beginning with 1959, the data include Alaska and Hawaii.

*Fewer than 500,000. †Includes group credit certificates.

Sources: Spectator Year Book *and American Council of Life Insurance.*

Growth of Individual, Group and Credit Life Insurance In Force in the United States



had the largest total, $317.6 billion and New York ranked second with $257.6 billion. Delaware exceeded all other states in ownership per family with an average of $76,000 of insurance per family; the District of Columbia was in second place with $66,600 per family.

The principal type of life insurance protection for Americans continues to be ordinary life insurance, purchased individually to meet individual needs. Ordinary insurance in force at the end of 1979 totaled $1,585.9 billion, 49% of all life insurance in force in the United States. The number of ordinary policies in force has doubled in the past 25 years, while the average size policy in force is more than four times as large.

Group life insurance provided $1,419.4 billion of protection at the end of 1979, an increase of $175.4 billion during the year. Most group life insurance contracts are issued to employers, though many are issued to unions, professional associations and other groups. Employees or members receive certificates to denote their participation in the group coverage. Growth of this type of protection has been significant. In 1950, group insurance accounted for 20.4% of all insurance in force and by 1979, the ratio had reached 44.0%.

Industrial life insurance is the type which is issued in small amounts, usually with premiums collected weekly or monthly at the policyholder's home. Industrial life decreased slightly to a total of $37.8 billion in force at year-end 1979.

Life Insurance In Force In the United States by State 1979

(Thousands of Policies and Millions of Dollars)

State	Ordinary		Group		Industrial		Credit		Total	
	No.	Amount	Cert.	Amount	No.	Amount	No.*	Amount	No.	Amount
Alabama	2,045	$ 25,288	1,782	$ 19,159	6,905	$ 2,837	1,766	$ 3,998	12,498	$ 51,282
Alaska	136	2,773	249	3,210	10	3	175	207	570	6,193
Arizona	1,982	21,354	1,493	12,163	169	117	1,758	3,146	5,402	36,780
Arkansas	1,026	11,576	728	8,633	440	244	785	1,921	2,979	22,374
California	10,772	157,679	12,398	145,347	1,917	1,364	6,394	13,167	31,481	317,557
Colorado	1,815	24,783	1,624	17,834	300	294	1,195	2,896	4,934	45,807
Connecticut	2,364	25,834	1,953	27,107	259	206	1,145	2,000	5,721	55,147
Delaware	470	4,551	524	10,795	220	149	1,220	852	2,434	16,347
D.C.	440	4,588	1,086	15,335	487	286	503	716	2,516	20,925
Florida	5,392	62,448	3,642	40,286	3,767	2,593	3,743	7,391	16,544	112,718
Georgia	3,602	39,528	2,765	32,011	4,017	2,715	2,533	5,108	12,917	79,362
Hawaii	615	9,370	703	6,901	5	2	413	959	1,736	17,232
Idaho	512	6,108	472	4,069	24	12	318	882	1,326	11,071
Illinois	9,340	94,713	6,943	86,676	2,940	1,942	3,600	8,492	22,823	191,823
Indiana	4,120	40,431	2,701	34,077	1,603	997	1,883	4,645	10,307	80,150
Iowa	2,585	25,799	1,420	15,945	222	123	847	2,489	5,074	44,356
Kansas	1,882	20,793	1,160	11,414	303	172	958	2,281	4,303	34,660
Kentucky	2,271	20,249	1,348	16,969	1,417	792	1,465	3,034	6,501	41,044
Louisiana	2,111	28,046	1,780	20,949	3,919	2,273	2,112	4,221	9,922	55,489
Maine	717	6,523	662	5,351	74	51	428	849	1,881	12,774
Maryland	2,916	31,267	1,892	24,727	1,678	1,003	1,525	3,046	8,011	60,043
Massachusetts	3,915	38,227	2,660	37,674	715	476	1,716	3,070	9,006	79,447
Michigan	5,598	56,488	5,978	89,358	1,887	1,187	3,470	7,619	16,933	154,722
Minnesota	2,537	29,774	2,416	29,008	222	135	1,156	2,572	6,331	61,579
Mississippi	949	12,646	991	9,321	763	475	1,348	2,432	4,051	24,874
Missouri	3,866	34,631	2,865	31,488	1,144	690	1,611	3,594	9,286	70,403
Montana	452	5,578	365	3,092	24	11	297	751	1,138	9,432
Nebraska	1,360	14,976	745	8,167	114	65	488	1,305	2,707	24,513
Nevada	296	4,629	551	5,431	10	6	538	1,402	1,395	11,468
New Hampshire	688	6,942	414	5,636	84	60	359	753	1,545	13,391
New Jersey	5,436	58,784	3,517	59,431	1,288	1,062	1,968	4,374	12,209	123,651
New Mexico	609	7,505	589	6,674	91	57	614	1,234	1,903	15,470
New York	10,981	115,987	8,030	128,195	1,740	1,327	6,288	12,083	27,039	257,592
North Carolina	4,131	38,271	2,377	29,163	3,268	1,865	2,772	5,021	12,548	74,320
North Dakota	459	5,678	315	3,015	4	3	221	656	999	9,352
Ohio	8,175	82,275	5,531	74,236	3,173	2,091	4,138	9,325	21,017	167,927
Oklahoma	1,722	20,622	1,124	14,513	373	224	974	2,432	4,193	37,791
Oregon	1,219	15,983	1,353	16,018	79	42	803	1,778	3,454	33,821
Pennsylvania	9,885	84,205	5,899	73,383	3,993	2,537	4,450	10,319	24,227	170,444
Rhode Island	784	7,497	716	7,132	157	100	295	537	1,952	15,266
South Carolina	2,551	19,876	1,657	14,095	2,407	1,481	1,332	2,510	7,947	37,962
South Dakota	523	5,765	266	2,720	4	2	210	597	1,003	9,084
Tennessee	2,768	29,323	2,568	25,327	2,360	1,383	2,114	5,018	9,810	61,051
Texas	8,539	103,697	7,254	81,761	3,308	2,094	6,018	14,224	25,119	201,776
Utah	665	8,954	949	6,959	89	40	509	1,373	2,212	17,326
Vermont	353	3,399	223	2,333	32	23	197	361	805	6,116
Virginia	3,406	36,746	2,539	33,109	2,468	1,460	2,321	3,905	10,784	75,220
Washington	1,937	26,166	2,210	24,458	156	78	1,220	2,511	5,523	53,213
West Virginia	1,029	9,316	869	9,572	569	354	921	1,799	3,388	21,041
Wisconsin	3,424	34,772	2,539	26,913	455	288	1,149	2,897	7,567	64,870
Wyoming	258	3,465	208	2,188	5	3	172	428	643	6,084
Total U.S.	145,628	$1,585,878	114,893	$1,419,418	61,658	$37,794	84,435	$179,250	406,614	$3,222,340

Note: "Credit" is limited to life insurance on loans of ten years' or less duration. "Ordinary" and "Group" include credit life insurance on loans of more than ten years' duration.

*Includes group credit certificates.

Source: American Council of Life Insurance.

Life Insurance In Force in the United States by Type and Geographic Division 1979 *(000,000 Omitted)*

Division	Ordinary	Group	Industrial	Credit	Total
New England	$ 88,422	$ 85,233	$ 916	$ 7,570	$ 182,141
Middle Atlantic	258,976	261,009	4,926	26,776	551,687
East North Central	308,679	311,260	6,505	33,048	659,492
West North Central	137,416	101,847	1,190	13,494	253,947
South Atlantic	246,591	209,093	11,906	30,348	497,938
East South Central	87,506	70,776	5,487	14,482	178,251
West South Central	163,941	125,856	4,835	22,798	317,430
Mountain	82,376	58,410	540	12,112	153,438
Pacific	211,971	195,934	1,489	18,622	428,016
United States	$1,585,878	$1,419,418	$37,794	$179,250	$3,222,340

Note: "Credit" is limited to life insurance on loans of ten years' or less duration. "Ordinary" and "Group" include credit life insurance on loans of more than ten years' duration.

Source: American Council of Life Insurance.

Credit life is another type of life insurance, designed to pay the balance of loans (of 10 years' or less duration) if the borrower should die before repaying the amount due. A total of $179.3 billion of credit life insurance was in force at year-end 1979.

A study of U.S. legal reserve life insurance companies found that the five largest companies, each with assets of $10 billion or more as of 1970, represented 32% of the life insurance in force at the end of 1979 and 27% of the ordinary life insurance in force. Companies with asset rankings from $1 billion to $9 billion as of 1970 accounted for 24% of the total life insurance in force and 25% of the ordinary in force in 1979.

Participating insurance accounted for $2,009.4 billion, or 57%, of all life insurance in force with U.S. companies at the end of 1979. With this type of life insurance a policyholder receives, in the form of annual dividends, the portion of the premiums that is not needed by the company for death payments to beneficiaries, additions to reserves or administrative expenses. The remaining $1,498.0 billion, or 43%, of life insurance in force was nonparticipating, which has generally lower premium rates but does not provide for policy dividends. Participating life insurance accounted for 58% and nonparticipating, 42% of total ordinary insurance in force in U.S. companies.

Mutual life insurance companies, which have no stockholders, and whose boards of directors are elected by their policyholders, provided $1,749.8 billion, or nearly 50% of total life insurance in force with U.S. life companies at the end of 1979. Stock life insurance companies, which are owned by their stockholders, accounted for $1,757.6 billion, or slightly more than 50% of total life insurance in force at the end of 1979. In general, mutual companies sell participating insurance, and stock companies sell nonparticipating insurance. Mutual companies accounted for 55% of total group life. Stock life companies provided 67% of the total industrial life insurance in force, and they also accounted for 76% of credit life in force.

The data in this chapter do not include life insurance in force in the United States issued by other private insurers, including fraternal societies, and by the Federal government. The total life insurance in force, including that issued by these other sources, amounted to $3.3 trillion at the end of 1979. If this

Life Insurance in Force in the United States by Plan

Plan of Insurance	1974 Number of Policies* (000 Omitted)	1974 Amount (000,000 Omitted)	1974 % of Amount	1977 Number of Policies* (000 Omitted)	1977 Amount (000,000 Omitted)	1977 % of Amount
ORDINARY						
Whole Life						
Straight Life, Premium Paying	54,500	$ 496,600	49.2	60,300	$ 616,900	47.8
Limited Payment Life, Premium Paying	28,700	100,200	9.9	28,300	123,500	9.6
Paid-Up	19,500	39,700	3.9	20,200	45,200	3.5
Endowment	11,900	43,000	4.3	11,900	52,200	4.1
Retirement Income With Insurance	2,400	17,500	1.7	2,400	21,700	1.7
Term						
Extended	5,000	16,700	1.6	5,600	20,700	1.6
Regular						
Decreasing	5,400	89,400	8.9	6,100	114,800	8.9
Other	3,800	83,300	8.3	4,700	147,400	11.4
Other						
Decreasing	—	68,200	6.8	—	79,600	6.2
Other	—	54,400	5.4	—	67,300	5.2
Total Ordinary	131,200	$1,009,000	100.0	139,500	$1,289,300	100.0
GROUP						
Term						
Decreasing	1,700	$ 27,300	3.3	2,000	$ 35,600	3.2
Other	90,200	793,600	95.9	102,000	1,071,800	96.1
Permanent						
Whole Life						
Premium Paying	1,100	5,200	.6	1,100	6,200	.6
Paid-Up	500	1,000	.1	500	1,100	.1
Endowment	†	100	††	†	100	††
Retirement Income	100	400	.1	†	300	††
Total Group	93,600	$ 827,600	100.0	105,600	$1,115,100	100.0
INDUSTRIAL						
Whole Life						
Straight Life, Premium Paying	9,200	$ 5,400	13.7	9,100	$ 6,100	15.6
Limited Payment Life, Premium Paying	23,800	15,300	38.8	19,400	13,400	34.4
Paid-Up	27,700	12,400	31.5	27,300	13,200	33.8
Endowment	6,200	2,900	7.4	4,900	2,400	6.1
Term						
Extended	4,500	2,700	6.8	5,000	3,200	8.2
Regular						
Decreasing	—	—	—	†	‡	††
Other	†	‡	††	100	100	.3
Other						
Decreasing	—	100	.3	—	100	.3
Other	—	600	1.5	—	500	1.3
Total Industrial	71,400	$ 39,400	100.0	65,800	$ 39,000	100.0
CREDIT (Term)	83,800	$ 109,600	—	79,300	$ 139,400	—
TOTAL LIFE INSURANCE IN FORCE	380,000	$1,985,600	—	390,200	$2,582,800	—

Note: "Ordinary" and "Group" include credit life insurance on loans of more than ten years' duration. "Credit" is limited to life insurance on loans of ten years' or less duration. In 1977, there were 2,293,000 ordinary policies in force under reduced paid-up options which totaled $3,973,000,000. For reporting purposes, the basic portion of combination plans is listed under the appropriate plan while the additional term portion, by rider or otherwise, is listed under term plans.

*Includes group certificates. †Less than 50,000. ††Less than .05%. ‡Less than $50,000,000.

Source: American Council of Life Insurance.

amount were divided equally among American families, each would have $39,700 of coverage. Some 148 million people were insured by some form of life insurance at year-end 1979.

A survey of life insurance in force by plan at year-end 1977 (the latest year for which data are available) showed that within ordinary insurance ownership, whole life policies accounted for the highest proportion of the amount in force. The size of the average whole life policy in force has increased since 1974 by 16.5%, reaching $7,220 in 1977. However, as a percentage of total ordinary in force, whole life declined from 63.0% in 1974 to 60.9% in 1977. Endowment and retirement income policies also declined, accounting for 5.8% of the ordinary in force in 1977, compared with 6.0% in 1974. During the same time period, ordinary term plans increased as a share of the total, from 30.9% to 33.3%. A 3.1 percentage point increase in the proportion of level term plans caused the greatest impact on the growth over the three-year period. Term riders and term portions of combination plans together showed a slight decline, from 12.2% of the ordinary in force in 1974 to 11.4% in 1977.

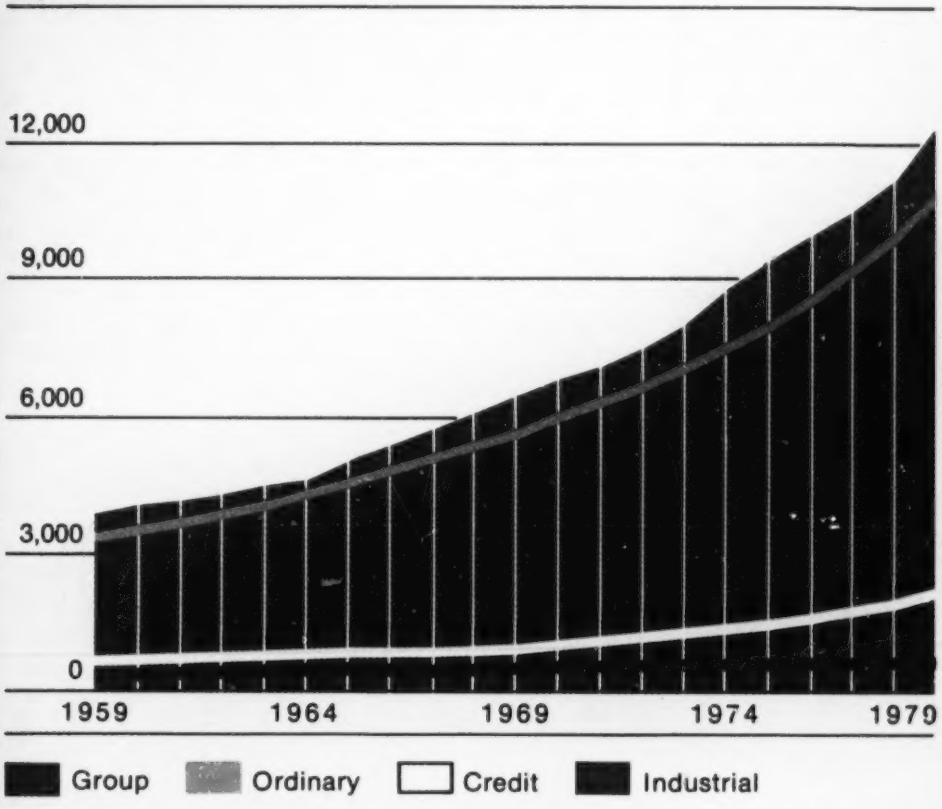
Average Size Life Insurance Policy In Force In the United States

Year	Ordinary	Group	Industrial	Credit
1920	$ 1,990	$ 960	$150	$ 200
1930	2,460	1,700	210	200
1940	2,130	1,700	240	150
1950	2,320	2,480	310	360
1960	3,600	4,030	390	680
1965	4,660	5,060	450	850
1966	4,940	5,360	450	840
1967	5,150	5,730	470	870
1968	5,450	6,070	480	910
1969	5,770	6,470	490	950
1970	6,110	6,910	500	1,000
1971	6,440	7,170	520	1,080
1972	6,790	7,530	530	1,190
1973	7,230	8,010	540	1,300
1974	7,690	8,840	550	1,310
1975	8,090	9,360	570	1,410
1976	8,610	10,010	580	1,580
1977	9,240	10,550	590	1,760
1978	10,010	11,260	600	1,950
1979	10,890	12,350	610	2,120

Note: "Credit" is limited to life insurance on loans of ten years' or less duration. "Ordinary" and "Group" include credit life insurance on loans of more than ten years' duration.

Sources: Spectator Year Book *and American Council of Life Insurance.*

Average Size Life Insurance Policy In Force in the United States



Life Insurance and Disposable Personal Income Per Family in the United States

Year	Life Insurance Per Insured Family	Life Insurance Per Family	Disposable Personal Income Per Family	Year	Life Insurance Per Insured Family	Life Insurance Per Family	Disposable Personal Income Per Family
1930	N.A.	$ 2,800	$1,900	1967	$20,300	$17,100	$ 8,600
1935	N.A.	2,400	1,400	1968	21,500	18,300	9,100
1940	N.A.	2,700	1,700	1969	22,800	19,400	9,500
1945	$ 5,200	3,200	3,200	1970	24,400	20,700	10,100
1950	6,000	4,600	4,000	1971	25,500	21,700	10,700
1955	8,700	6,900	5,100	1972	26,900	22,900	11,300
1960	12,700	10,200	6,100	1973	28,800	24,400	12,400
1961	13,500	10,800	6,200	1974	31,200	26,500	13,100
1962	14,300	11,400	6,500	1975	33,000	28,100	14,200
1963	15,300	12,200	6,700	1976	35,000	30,100	15,200
1964	16,400	13,300	7,300	1977	37,700	32,400	16,400
1965	17,800	14,600	7,700	1978	40,800	35,100	17,800
1966	19,000	15,800	8,200	1979	44,800	38,500	19,400

Note: Data are revised. "Families" here include the units defined by the Bureau of the Census as families, subfamilies and unrelated individuals; these numbered 83,723,000 in 1979. The average amounts shown above are arithmetic means.

N.A. = Not available.

Sources: Spectator Year Book, *American Council of Life Insurance, Life Insurance Marketing and Research Association and U.S. Department of Commerce.*

Average Amount of Life Insurance in Force Per Family by State and by Region 1979

State	Amount	State	Amount	Region	Amount
Alabama	$37,200	Montana	$31,800	North East	$39,100
Alaska	42,700	Nebraska	40,700	New England	39,600
Arizona	40,300	Nevada	40,100	Middle Atlantic	38,900
Arkansas	27,000	New Hampshire	40,500		
California	34,300	New Jersey	45,000		
Colorado	42,700	New Mexico	36,300	North Central	41,800
Connecticut	47,900	New York	37,000	E. N. Central	43,000
Delaware	76,000	North Carolina	36,200	W. N. Central	38,900
D.C.	66,600	North Dakota	40,000		
Florida	30,900	Ohio	42,200	South	37,000
Georgia	42,300	Oklahoma	33,100	South Atlantic	37,400
Hawaii	53,900	Oregon	33,300	E. S. Central	34,500
Idaho	33,500	Pennsylvania	38,200	W. S. Central	38,000
Illinois	44,900	Rhode Island	43,200		
Indiana	40,100	South Carolina	37,400	West	35,800
Iowa	40,200	South Dakota	36,200	Mountain	38,700
Kansas	37,600	Tennessee	37,400	Pacific	34,800
Kentucky	31,500	Texas	40,600		
Louisiana	39,200	Utah	37,100	United States	38,500
Maine	30,900	Vermont	33,400		
Maryland	38,700	Virginia	38,900		
Massachusetts	36,600	Washington	34,300		
Michigan	46,300	West Virginia	29,600		
Minnesota	40,900	Wisconsin	37,600		
Mississippi	29,200	Wyoming	36,000		
Missouri	36,900				

Note: The average amounts per family are arithmetic means. "Family" includes primary families, subfamilies and unrelated individuals.

Source: American Council of Life Insurance.

Life Insurance In Force In U.S. Life Insurance Companies *(000,000 Omitted)*

Year	Number of Policies*	Amount	Year	Number of Policies*	Amount
1900	14	$ 8,562	1964	346	$ 850,090
1905	22	13,364	1965	359	958,623
1910	30	16,404	1966	372	1,051,701
1915	43	22,777	1967	378	1,155,619
1920	68	42,281	1968	389	1,266,151
1925	101	71,690	1969	399	1,381,101
1930	128	107,948	1970	402	1,506,472
1935	124	100,730	1971	405	1,620,343
1940	137	117,794	1972	413	1,760,350
1945	167	155,723	1973	417	1,922,311
1950	210	242,018	1974	426	2,144,580
1955	266	389,081	1975	428	2,312,283
1960	308	618,189	1976	429	2,530,767
1961	316	665,628	1977	448	2,788,679
1962	323	715,435	1978	449	3,107,513
1963	334	775,265	1979	458	3,507,495

Note: Totals represent all life insurance in force with U.S. life companies (including both direct business and reinsurance acquired, and without deducting reinsurance ceded, which amounted to $270 billion in 1979) whether the policyholders are residents of the United States or of some other country. Figures include credit life insurance.

*Includes group certificates.

Sources: Spectator Year Book *and American Council of Life Insurance.*

Ordinary Life Insurance

Ordinary life insurance protection in the United States advanced to $1,585.9 billion at the end of 1979, an increase of 11.3% during the year and more than twice the amount in force at the end of 1969. Purchases during the year totaled $323.6 billion, an increase of $40.6 billion over the previous year.

Ordinary life is the most widely used form of life insurance protection. At year-end 1979, ordinary life accounted for 49.2% of all life insurance in force in the U.S. Ordinary life insurance is typically purchased through life insurance agents and issued under individual policies with face amounts of $1,000 or more. Ordinary life can be broken down into two basic types of protection, whole life (permanent) and term insurance.

Whole life insurance offers more than death protection. Unlike term policies, whole life insurance builds cash values that can help families meet financial

Ordinary Life Insurance In Force

In the United States *(000,000 Omitted)*

Year	No. of Policies	Amount	Year	No. of Policies	Amount
1895	2	$ 4,170	1964	104	$ 457,868
1900	3	6,124	1965	107	499,638
1905	5	9,585	1966	109	541,022
1910	6	11,783	1967	113	584,570
1915	9	16,650	1968	116	633,392
1920	16	32,018	1969	118	682,453
1925	23	52,892	1970	120	734,730
1930	32	78,576	1971	123	792,318
1935	33	70,684	1972	126	853,911
1940	37	79,346	1973	128	928,192
1945	48	101,550	1974	131	1,009,038
1950	64	149,116	1975	134	1,083,421
1955	80	216,812	1976	137	1,177,672
1960	95	341,881	1977	139	1,289,321
1961	97	366,141	1978	142	1,425,095
1962	99	391,048	1979	146	1,585,878
1963	102	420,808			

In U.S. Life Insurance Companies *(000,000 Omitted)*

Year	No. of Policies	Amount	Year	No. of Policies	Amount
1900	3	$ 7,093	1964	108	$ 478,334
1905	5	11,054	1965	111	522,694
1910	7	13,227	1966	114	568,025
1915	10	18,249	1967	118	615,671
1920	16	33,451	1968	121	667,532
1925	24	54,549	1969	123	721,236
1930	33	79,729	1970	125	777,163
1935	33	71,937	1971	128	839,767
1940	39	81,006	1972	131	906,255
1945	49	104,355	1973	134	983,388
1950	66	154,394	1974	137	1,071,369
1955	83	225,554	1975	140	1,153,160
1960	99	355,608	1976	143	1,257,738
1961	101	381,061	1977	147	1,382,356
1962	103	407,777	1978	151	1,535,982
1963	105	439,147	1979	156	1,722,106

Note: Data include individual credit life insurance on loans of more than ten years' duration. Totals for "In the United States" represent all life insurance (net of reinsurance) on residents of the United States, whether issued by U.S. or foreign companies. Totals for "In U.S. Life Insurance Companies" represent all life insurance in force with U.S. companies (including both direct business and reinsurance acquired, and without deducting reinsurance ceded) whether the policyholders are residents of the United States or of some other country.

Sources: Spectator Year Book *and American Council of Life Insurance.*

emergencies, pay for special goals or provide income for retirement years.

Cash values of life insurance policies are a by-product of the level premium system of whole life insurance. As the mortality rate increases with age, the cost of life insurance increases. However, under the level premium approach, the annual premium remains the same, despite the increasing risk of death.

Although the premium charged in the earlier years is higher than the actual cost of the insurance, in later years it is substantially lower than the actual cost of protection. The excess amount of each premium in the early years is held in reserve, which along with future level premiums, assures that funds will be available to cover the increasing risk of death as the policyholder grows older. The policyholder who decides to give up the protection by surrendering

Mass-Marketed Ordinary Life Insurance In Force by Type and by Size of Insured Group 1978

	Number of Groups	Number of Members*	Insurance in Force		Average Amount of Insurance Per Member
			Amount	% of Amount	
Type of Group					
Related to Employment or Occupation					
Employer-Employee	40,790	541,000	$ 3,259,000,000	23.1	$ 6,024
Union and Joint Employer-Union	20	2,000	16,000,000	.1	8,000
Professional Society	240	277,000	3,364,000,000	23.8	12,144
Employee Association	290	202,000	2,069,000,000	14.7	10,243
Other—Related to Employee Benefit Program	10	19,000	165,000,000	1.2	8,684
Other—Not Related to Employee Benefit Program	†	††	†††	**	***
Total	41,340	1,041,000	$ 8,873,000,000	62.9	8,524
Not Related to Employment or Occupation					
Fraternal Society	40	46,000	$ 208,000,000	1.5	4,522
Savings or Investment Group	50	47,000	104,000,000	.7	2,213
Credit Card Holders	10	237,000	2,046,000,000	14.5	8,633
Mortgage Insurance	390	77,000	872,000,000	6.2	11,325
Students	380	122,000	834,000,000	5.9	6,836
Credit Unions	2,460	66,000	575,000,000	4.1	8,712
Other	2,930	137,000	593,000,000	4.2	4,328
Total	6,260	732,000	$ 5,232,000,000	37.1	7,148
Total All Groups	47,600	1,773,000	$14,105,000,000	100.0	7,955
Size of Group					
Fewer than 10 Members	44,920	311,000	$ 1,529,000,000	10.9	4,916
10-24 Members	1,230	25,000	212,000,000	1.5	8,400
25-99 Members	870	77,000	583,000,000	4.1	7,571
100-499 Members	390	152,000	1,229,000,000	8.7	8,086
500 or More Members	190	1,208,000	10,552,000,000	74.8	8,735
Total All Groups	47,600	1,773,000	$14,105,000,000	100.0	7,955

Note: Data by type of group are estimated on the basis of reports from life insurance companies having 93% of the total amount of mass-marketed ordinary life insurance in force in the United States (excluding credit life) at year-end 1978; and data by size of group are estimated from companies having 76%.

*Includes duplication where individuals are included in more than one group.

†Fewer than 5. ††Fewer than 500. †††Less than $500,000.

**Less than .05%.

***Not calculated for fewer than 500 members.

Source: American Council of Life Insurance.

the policy is entitled to a share of the company's reserves. The measure of this share is the cash value.

Term insurance policies offer pure protection and do not build up cash values. The premiums are lower than whole life policies of the same amounts, but increase with each renewal of the term policy, reflecting higher mortality rates at older ages.

Surveys of life insurance in force by plan show that among ordinary insurance, permanent policies account for the highest proportion, 66.7% in 1977. Term insurance, including the term portion of combination plans, is an increasing proportion of all ordinary insurance, rising from 30.9% in 1974 to 33.3% in 1977.

One form of ordinary life insurance that has come into wider use in recent years is mass-marketed, wholesale insurance. It is sold on an individual basis to members of a group, usually as term life insurance policies with automatic renewal provisions. (In contrast, group life insurance is issued in the form of a master policy, under which certificates are issued to the individuals covered.) At year-end 1978, $14.1 billion of mass-marketed wholesale ordinary life was in force in the United States. New issues of mass-marketed ordinary that year amounted to $3.6 billion.

A survey of mass-marketed ordinary life insurance in force at year-end 1978 shows that coverage of employer-employee and professional society groups accounted for 46.9% of the total amount of mass-marketed ordinary in force. The average amount of insurance for all employees with coverage related to employment or occupation was $8,524.

For insureds with coverage not related to employment or occupation, the average amount of coverage was $7,955. Credit card holders accounted for 14.5% of the amount in force, while insureds with mortgage insurance and students accounted for an additional 12.1%.

Several innovative forms of ordinary life insurance have been introduced in recent years, among them variable, adjustable and variable premium life.

The assets underlying benefits of variable life insurance are held in separate accounts invested primarily in equity-type securities. The death payment increases or decreases depending on investment results, but there is a guaranteed minimum death benefit.

By the end of 1979, over $380 million of variable life insurance was in force in U.S. companies. Sale of this form is specifically authorized in 48 states.

Adjustable life insurance allows an individual to switch protection from term insurance to whole life and back again, as needs change. The adjustable life policy is flexible; its holder can, within limits, raise or lower the face amount of the policy, increase or decrease the premium, and lengthen or shorten the protection period.

Variable premium life is another new "inflation-era" whole life type of protection. As inflation rises, driving interest rates higher and increasing investment income, the premiums decrease.

Ordinary life is principally used for family protection but it is also widely used for business purposes. Life insurance may be used by a business to protect against the economic loss to the firm that would be caused by the death of the owner or of a key employee.

Group Life Insurance

At the end of 1979 group life insurance in the United States totaled $1,419.4 billion. This amount represented a 14.1% increase during the year and is nearly triple the amount at the end of 1969. Group protection amounted to 44.0% of life insurance in force in the United States at the end of 1979.

Group life insurance set up under new or revised group contracts in the United States during 1979 totaled $160.0 billion. About one-third of the group life purchased during 1979 was issued under new master contracts. The rest represented increases under existing contracts to cover additional groups of employees or to provide higher benefit levels. Group life insurance is a near universal employee benefit in the United States.

Group Life Insurance In Force

In the United States *(000 Omitted)*

Year	No. of Master Policies	No. of Certificates	Amount	Year	No. of Master Policies	No. of Certificates	Amount
1912	*	12	$ 13,000	1965	234	60,930	$ 308,078,000
1915	*	120	100,000	1966	249	64,594	345,945,000
1920	6	1,600	1,570,000	1967	261	68,818	394,501,000
1925	12	3,200	4,247,000	1968	275	72,895	442,778,000
1930	19	5,800	9,801,000	1969	290	75,527	488,864,000
1935	18	6,400	10,208,000	1970	304	79,844	551,357,000
1940	23	8,800	14,938,000	1971	312	82,320	589,883,000
1945	31	11,500	22,172,000	1972	326	85,102	640,689,000
1950	56	19,288	47,793,000	1973	338	88,385	708,322,000
1955	89	31,649	101,345,000	1974	359	93,567	827,018,000
1960	169	43,602	175,903,000	1975	378	96,693	904,695,000
1961	180	46,262	192,794,000	1976	404	100,138	1,002,647,000
1962	193	48,568	209,950,000	1977	437	105,649	1,115,047,000
1963	203	51,062	229,477,000	1978	495	110,445	1,243,994,000
1964	219	54,695	253,620,000	1979	559	114,893	1,419,418,000

In U.S. Life Insurance Companies *(000 Omitted)*

Year	No. of Master Policies	No. of Certificates	Amount	Year	No. of Master Policies	No. of Certificates	Amount
1912	*	12	$ 13,000	1967	276	84,359	$ 425,039,000
1915	*	122	100,000	1968	290	89,431	476,001,000
1920	6	1,700	1,636,000	1969	305	93,075	527,344,000
1925	12	3,221	4,299,000	1970	318	97,693	593,675,000
1930	20	5,791	9,859,000	1971	325	102,313	639,441,000
1935	19	6,191	10,395,000	1972	336	103,398	697,422,000
1940	22	8,833	15,063,000	1973	349	107,977	772,134,000
1945	31	11,507	22,501,000	1974	369	112,123	896,505,000
1950	56	21,944	49,330,000	1975	388	115,928	978,920,000
1955	92	35,234	105,657,000	1976	422	119,078	1,082,217,000
1960	182	51,212	187,323,000	1977	448	121,924	1,198,107,000
1965	247	74,728	330,836,000	1978	506	126,697	1,333,623,000
1966	263	78,795	372,330,000	1979	571	132,820	1,529,910,000

Note: Data include group credit life insurance on loans of more than ten years' duration. Totals for "In The United States" represent all life insurance (net of reinsurance) on residents of the United States, whether issued by U.S. or foreign companies. Totals for "In U.S. Life Insurance Companies" represent all life insurance in force with U.S. companies (including both direct business and reinsurance acquired, and without deducting reinsurance ceded) whether the policyholders are residents of the United States or of some other country.

*Fewer than 500 policies.

Sources: Spectator Year Book *and American Council of Life Insurance.*

Many group life plans provide for coverage on the lives of dependents of group members. Many also extend employees' group protection after retirement, usually in reduced amounts. Coverage on dependents totaled $36.2 billion at the end of 1979.

One form of group insurance is group mortgage insurance issued through lending agencies. At year-end 1979, there was $30.1 billion dollars of group mortgage insurance in force in the United States.

A recent development in the area of group life insurance concerns survivor benefits. Benefits are normally described as a continuing monthly payment to the surviving spouse. Payments may extend for life or to the age at which Social Security retirement payments become available, but cease on remarriage. Contingent benefits to dependent children in the event of the spouse's death are also available. The initial value of these survivor benefits can range from three to 10 times an employee's annual salary. Group life insurance in force represented by these survivor benefits amounted to $34.3 billion at year-end 1979.

A survey of group life insurance in force at year-end 1978 shows that 91.7% of the master policies covered employer-employee groups, accounting for 87.8% of the total amount of group life insurance in force. The average coverage per employee was $16,753.

Plans administered by unions, or jointly by unions and employers, accounted for 1.1% of the master policies and 3.3% of the total amount of group insurance at the end of 1978, with coverage per employee averaging $5,175.

Professional societies, employee associations and other groups indirectly related to employment or occupation accounted for 0.5% of the master policies and 3.7% of the total group amount. Savings or investment groups accounted for 4.3% of the master policies.

Employee and Dependent Coverage Under Group Life Insurance in the United States 1979

	Number of Master Policies	Amount
PURCHASED DURING YEAR		
Primary Coverage, Employee and Other	133,440	$146,036,000,000
Survivor Benefit Coverage	N.A.	1,200,000,000
Dependent Coverage	8,080*	4,640,000,000
Mortgage Insurance Issued Through a Lending Agency	560	8,112,000,000
Total	134,000	$159,988,000,000
IN FORCE AT END OF YEAR		
Primary Coverage, Employee and Other	552,040	$1,318,722,000,000
Survivor Benefit Coverage	N.A.	34,341,000,000
Dependent Coverage	39,020*	36,230,000,000
Mortgage Insurance Issued Through a Lending Agency	6,640	30,125,000,000
Total	558,680	$1,419,418,000,000

*These policies cover employees as well as dependents and are also included with employee master policies.

N.A. = Not available.

Source: American Council of Life Insurance.

Group Life Insurance In Force By Type and By Size Of Insured Group in the United States 1978

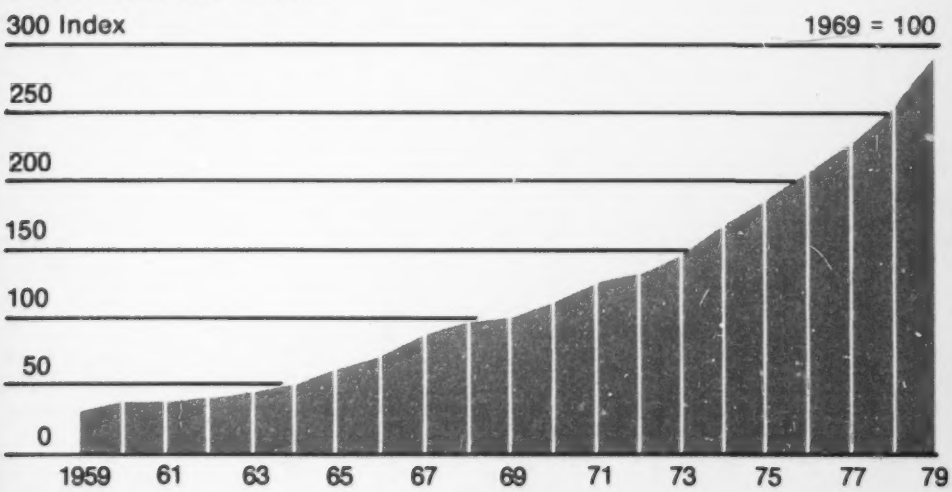
	Master Policies		Insurance In Force		
	Number	% of Total	Amount *(000,000 Omitted)*	% of Total	Average Amount of Coverage Per Member
TYPE OF GROUP					
Related to Employment or Occupation					
Employer-Employee	453,670	91.7	$ 945,891	87.8	$16,753
Union and Joint Employer-Union	5,250	1.1	35,209	3.3	5,175
Professional Society	960	.2	18,458	1.7	28,052
Employee Association	1,730	.3	19,911	1.8	13,703
Other—Related to Employee Benefit Program	3,290	.7	7,933	.7	11,497
Other—Not Related to Employee Benefit Program	130	*	2,095	.2	22,287
Total	465,030	94.0	1,029,497	95.5	15,561
Not Related to Employment or Occupation					
Fraternal Society	340	.1	2,517	.2	12,460
Savings or Investment Group	21,380	4.3	17,764	1.7	633
Group Mortgage Insurance	5,720	1.1	24,780	2.3	17,512
Other	2,370	.5	3,170	.3	6,108
Total	29,810	6.0	48,231	4.5	1,597
Total All Groups	494,840	100.0	$1,077,728	100.0	$11,183
SIZE OF GROUP					
Fewer Than 10 Members	147,310	29.8	$ 7,223	.7	$11,802
10- 24 Members	136,400	27.6	25,816	2.4	11,837
25- 99 Members	135,800	27.4	68,265	6.3	12,074
100-499 Members	42,640	8.6	105,597	9.8	12,840
500 or More Members	32,690	6.6	870,827	80.8	10,927
Total All Groups	494,840	100.0	$1,077,728	100.0	$11,183

Note: Data exclude dependent coverage, Federal Employees' Group Life Insurance, and Servicemen's Group Life Insurance. Group credit life insurance on loans of over ten years' duration is included.

*Less than .05%.

Source: American Council of Life Insurance.

Growth of Group Life Insurance In the United States



Industrial Life Insurance

Industrial life insurance policies are issued for small amounts, usually less than $1,000, and the premiums generally are paid weekly or monthly to an agent who calls at the policyholder's home. Some 9 out of 10 industrial policies in force have cash value elements.

Total industrial life insurance coverage in the United States was $37.8 billion at the end of 1979. This amount reflected a decrease of $286 million during the year. The average size industrial life insurance policy in force was $610 in 1979.

Purchases of industrial life insurance in 1979 amounted to $5.2 billion, a decrease of $850 million from the previous year's level.

Industrial insurance represented 1.2% of all legal reserve life insurance in force in the U.S. at the end of 1979, compared with 7.3% two decades before. This decline has been due largely to the economic gains of American workers, who need and now can buy more life insurance protection than industrial policies normally provide. The increased availability of group life insurance through one's employer has also been an important factor. On the other hand, industrial life insurance, as well as a sizable segment of ordinary life insurance which is on a debit basis, continues to serve a definite need of many lower income families.

Home Service Life Insurance. In recent years, industrial life insurance and monthly debit ordinary has come to be known as home service life insurance. Both of these types of policies are individual insurance serviced by agents who call at the policyholder's home to collect the premiums. (Monthly debit ordinary insurance is also included in the data on ordinary life insurance in this book.)

The volume of home service insurance in force has shown steady growth in recent years. Total coverage with U.S. life insurance companies amounted to $149.7 billion by year-end 1979, 4.3% of all life insurance in force with U.S. life companies.

Industrial Life Insurance In Force

In the United States *(000,000 Omitted)*

Year	No. of Policies	Amount	Year	No. of Policies	Amount
1895	7	$ 818	1966	88	$39,663
1900	11	1,449	1967	84	39,215
1905	17	2,278	1968	81	38,827
1910	23	3,125	1969	79	38,614
1915	32	4,279	1970	77	38,644
1920	48	6,948	1971	76	39,202
1925	71	12,318	1972	76	39,975
1930	86	17,963	1973	75	40,632
1935	81	17,471	1974	71	39,441
1940	85	20,866	1975	70	39,423
1945	101	27,675	1976	67	39,175
1950	108	33,415	1977	66	39,045
1955	112	39,682	1978	64	38,080
1960	100	39,563	1979	62	37,794
1965	89	39,818			

Note: Totals represent all life insurance (net of reinsurance) on residents of the United States, whether issued by U.S. or foreign companies.

Sources: Spectator Year Book *and American Council of Life Insurance.*

Industrial Life Insurance In Force

U.S. Life Insurance Companies *(000,000 Omitted)*

Year	No. of Policies	Amount	Year	No. of Policies	Amount
1900	11	$ 1,469	1966	89	$40,322
1905	17	2,310	1967	85	39,847
1910	23	3,177	1968	83	39,425
1915	33	4,428	1969	80	39,180
1920	50	7,190	1970	79	39,179
1925	74	12,824	1971	77	39,708
1930	89	18,287	1972	77	40,455
1935	84	18,297	1973	76	41,087
1940	87	21,344	1974	72	39,877
1945	104	28,497	1975	71	39,825
1950	111	34,391	1976	68	39,574
1955	115	40,798	1977	67	39,418
1960	102	40,446	1978	65	38,444
1965	91	40,498	1979	63	38,211

Note: Totals represent all life insurance in force with U.S. companies (including both direct business and reinsurance acquired, and without deducting reinsurance ceded), whether the policyholders are residents of the United States or of some other country.

Sources: Spectator Year Book *and American Council of Life Insurance.*

Home Service Life Insurance In Force

U.S. Life Insurance Companies *(000,000 Omitted)*

	Monthly Debit Ordinary		Industrial		Total	
Year	No. of Policies	Amount	No. of Policies	Amount	No. of Policies	Amount
1970	33	$ 73,569	79	$39,179	112	$112,748
1971	33	77,974	77	39,708	110	117,682
1972	33	81,867	77	40,455	110	122,322
1973	34	84,760	76	41,087	110	125,847
1974	34	87,785	72	39,877	106	127,662
1975	34	91,985	71	39,825	105	131,810
1976	34	98,135	68	39,574	102	137,709
1977	34	102,307	67	39,418	101	141,725
1978	34	106,461	65	38,444	99	144,905
1979	35	111,537	63	38,211	98	149,748

Note: Totals represent all life insurance in force with U.S. companies (including both direct business and reinsurance acquired, and without deducting reinsurance ceded), whether the policyholders are residents of the United States or of some other country. Data for monthly debit ordinary are included in the aggregate data for ordinary on pages 17-28.

Source: American Council of Life Insurance.

Credit Life Insurance

Credit life insurance, used to repay a debt in case the borrower dies, continued its growth in 1979. The amount of credit life in force in the United States totaled $179.3 billion at year-end, an increase of $16.2 billion over the previous year.

Credit life is term insurance, generally decreasing in amount as a loan is repaid. It protects the borrower's family, as well as the lender, against the unpaid debt that may be left at death. It is commonly a part of consumer credit contracts. Life companies issue credit insurance through such lenders as banks, finance companies, credit unions and retailers, who in turn make arrangements with the borrowers. The credit life insurance total includes protection of 10 years' or less duration issued through lenders.

Credit Life Insurance In Force

In the United States *(000 Omitted)*

Year	No. of Policies and Certificates	Amount	Year	No. of Policies and Certificates	Amount
1917	1	*	1966	69,415	$ 58,059,000
1920	22	$ 4,000	1967	70,423	61,535,000
1925	81	18,000	1968	74,851	68,357,000
1930	363	73,000	1969	78,285	74,598,000
1935	559	101,000	1970	77,516	77,392,000
1940	2,563	380,000	1971	76,041	81,931,000
1945	2,110	365,000	1972	78,439	93,410,000
1950	10,819	3,844,000	1973	77,574	101,154,000
1955	27,900	14,493,000	1974	83,860	109,623,000
1960	43,087	29,101,000	1975	79,708	112,032,000
1961	44,845	31,107,000	1976	78,230	123,569,000
1962	47,176	35,341,000	1977	79,259	139,402,000
1963	52,389	40,666,000	1978	83,725	163,081,000
1964	57,508	46,487,000	1979	84,435	179,250,000
1965	62,599	53,020,000			

In U.S. Life Insurance Companies *(000 Omitted)*

Year	No. of Policies and Certificates	Amount	Year	No. of Policies and Certificates	Amount
1917	1	*	1966	90,095	$ 71,024,000
1920	22	$ 4,000	1967	90,489	75,062,000
1925	81	18,000	1968	96,347	83,193,000
1930	363	73,000	1969	102,426	93,341,000
1935	559	101,000	1970	101,786	96,455,000
1940	2,568	381,000	1971	97,730	101,427,000
1945	2,124	370,000	1972	101,820	116,218,000
1950	10,992	3,903,000	1973	99,453	125,702,000
1955	32,985	17,072,000	1974	105,228	136,829,000
1960	55,650	34,812,000	1975	101,710	140,378,000
1961	58,465	36,841,000	1976	98,057	151,238,000
1962	62,723	41,704,000	1977	100,117	168,798,000
1963	69,901	48,476,000	1978	106,773	199,464,000
1964	76,810	56,291,000	1979	106,611	217,268,000
1965	82,197	64,595,000			

Note: "Credit" shown above is limited to life insurance on loans of ten years' or less duration. Totals for "In the United States" represent all life insurance (net of reinsurance) on residents of the United States, whether issued by U.S. or foreign companies. Totals for "In U.S. Life Insurance Companies" represent all life insurance in force with U.S. companies (including both direct business and reinsurance acquired, and without deducting reinsurance ceded) whether the policyholders are residents of the United States or of some other country.

*Less than $500,000.

Source: American Council of Life Insurance.

Life Insurance and American Families

A national survey conducted in 1976 for the American Council of Life Insurance and the Life Insurance Marketing and Research Association provides an inventory of life insurance coverage of adults and families and other households in the United States.

At year-end 1976, 2 out of 3 households in the U.S. had some form of life insurance coverage. Adult men were the most frequently insured, with 80% having some type of coverage; 78% were the primary policyholder. Sixty-five percent of adult women were insured; 54% as primary policyholders. Over half (57%) of all children were protected; the majority were covered as dependents.

The average (mean) amount of life insurance in force on a man was $29,000; on a woman, $7,680; and on a child $2,640. Adult men with their own policies (i.e., not covered as dependents) paid an average annual premium of $256. The average premium for women owning their own policies was $78 per year.

Life insurance purchased by an individual through a life insurance agent covered 54% of American adults; 59% of men and 50% of women. In 1976, the average amounts of agent-marketed individual life insurance owned by adult males and females were $19,210 and $5,240, respectively.

Some form of life insurance was held by 80% of U.S. household heads. The average amount of coverage per insured head was $26,730. Life Insurance purchased by an individual through an agent was owned by 59% of household heads, while employee group life insurance provided protection for 42%. A larger percentage of male household heads had group coverage (48%) than did female heads (21%). The average amounts of group insurance owned by male and female household heads were $20,830 and $8,550, respectively. Group insurance protected 59% of household heads employed full-time; the highest incidence of coverage (71%) occuring in households whose total income was in the $20,000 to $24,999 range.

The survey showed that life insurance ownership was most prevalent in households where the head was in the 30 to 34 age group; one or more household members were insured in 91% of those households. The total amount of insurance owned by members of covered households averaged $49,320, with one-third of such household insured for $50,000 or more.

In 69% of households headed by persons 65 and over, one or more persons were protected by some form of life insurance; however, in two-thirds of covered households policies totaled less than $5,000.

Families where both husband and wife are present comprise approximately 62% of all American households. Of these husband-wife families, the head was most frequently insured (91%) when there was a child or children under age 18 living at home. The average amount of coverage for insured husbands in these families was $37,600, while the average coverage for the entire family was $48,110. Sixty-seven percent of heads of husband-wife families with children under 18 owned agent-marketed individual life insurance; the average amount of coverage was $23,500.

Primary individuals (a primary individual is a one-person household or a household in which two or more unrelated adults live together) comprise about 25% of all U.S. households. According to the survey, 63% of heads of such households were covered by some form of life insurance in 1976.

Ownership of Life Insurance by Adults 1976

Percent of Adults Insured by Type of Life Insurance

	All Types of Life Insurance		Agent-Marketed Individual Life Insurance		Employee Group Life Insurance	
Total Adult	72%		54%		31%	
Men	80		59		42	
Women	65		50		21	
Age	Male	Female	Male	Female	Male	Female
18-24	63%	57%	43%	39%	24%	21%
25-29	83	65	57	45	50	29
30-34	90	76	67	60	57	28
35-44	88	71	65	53	54	31
45-54	89	68	65	51	57	25
55-64	87	68	63	60	46	17
65 and Older	68	55	56	49	17	5
Total Life Insurance Coverage (All Adults)						
$100,000 or more	2%		1%		†	
$50,000-$99,999	5		2		2%	
$25,000-$49,999	9		4		3	
$15,000-$24,999	8		5		4	
$ 5,000-$14,999	21		16		14	
Less than $5,000	27		26		8	
	72%		54%		31%	
Average Amount of Coverage						
Total Adult	$18,720		$12,280		$16,250	
Men	29,000		19,210		20,620	
Women	7,680		5,240		8,620	
Wives	8,470		5,980		8,900	
Children	2,640		2,450		2,310	

Ownership of Life Insurance by Households 1976

Percent of Households in Which at Least One Member Owns Life Insurance

	All Types of Life Insurance	Agent-Marketed Individual Life Insurance	Employee Group Life Insurance
All Households	83%	65%	46%
Male Head	88	69	52
Female Head	67	52	24
All Families	88%	70%	51%
Husband-Wife Families	90	71	55
With Children Under 18	93	73	63
Without Children Under 18	88	70	47
Individual Heads	64%	46%	25%
Percent of Households in Which Household Head Is Insured			
All Household Heads	80%	59%	42%
Male Head	85	62	48
Female Head	64	49	21
Heads of All Husband-Wife Families	88%	65%	50%
With Children Under 18	91	67	59
Without Children Under 18	84	63	41
Heads of All Families	85%	63%	46%
Incomplete Families*	71	54	25
Individual Heads**	63	44	24

Note: "All Types of Life Insurance" includes coverage with legal reserve life insurance companies, Veterans life insurance, and life insurance issued by savings banks, fraternal organizations, mutual aid and burial societies, and similar types of coverage. "Agent-Marketed Individual Life Insurance" comprises ordinary and/or industrial life insurance individually purchased through an agent.

†Less than .5%.

*A family of two or more related individuals in which the family head does not have a spouse living in the household.

**Households of one person and those in which two or more unrelated adults live together.

Source: A national consumer survey conducted in 1976 for the American Council of Life Insurance and the Life Insurance Marketing and Research Association.

Annuities

The number of annuities in force with U.S. life insurance companies under individual and supplementary contracts totaled 5.1 million at the end of 1979, an increase of 243,000, or 5.0%, during the year.

Individual annuities accounted for 4.5 million of the total, an increase of 248,000, or 5.8%, from 1978. The growth was due largely to continued purchases of annuities for individual pension plans, made possible by the 1974 Federal pension legislation, the Employee Retirement Income Security Act. This follows an increase of 15.3% during 1978, 12.3% in 1977 and an increase of 22.2% in 1975, the first full year that the pension law was in effect.

Annual income now payable or to be paid in the future under individual annuities amounted to nearly $6.1 billion in 1979, an increase of $623 million over 1978. Individually purchased annuities, such as Keogh plans or tax-sheltered type plans, are also discussed in the chapter on pension plans with life insurance companies (page 52).

Many supplementary contracts provide life income from life insurance policy proceeds. By year-end 1979, there were 575,000 supplementary contract life annuities in force with life insurance companies, providing an annual income of $447 million to annuitants.

Annuities provide protection against the possibility of outliving one's financial resources. They can be set up to pay income currently or in the future at regular intervals, usually monthly. Most annuities are intended to provide guaranteed retirement income of a predetermined amount, most often for life.

There are several sources of annuity plans. They are available on a group basis, most often as pension plans set up by employers with life insurance companies, or they can be purchased individually through a life insurance agent. The cash surrender, matured endowment values, or the death benefit of individual life insurance policies may also be used to set up an annuity. Group annuities with life insurance companies are covered in the chapter on pension plans (page 52).

Individual Annuities and Supplementary Contracts In Force 1979 U.S. Life Insurance Companies

	Individual Annuities		Supplementary Contracts	
	Number	Annual Income	Number	Annual Income
Income Now Payable	396,000	$ 425,000,000	555,000	$429,000,000
Income Deferred But Fully Paid	1,624,000	1,526,000,000	20,000	18,000,000
Income Deferred But Not Fully Paid	2,471,000	4,129,000,000	*	**
Total	4,491,000	$6,080,000,000	575,000	$447,000,000

Note: Data for supplementary contracts represent only those with life contingencies.

*Fewer than 500. **Less than $500,000.

Source: American Council of Life Insurance.

Variable Annuities. The variable annuity, all or part of which may be based on common stock investments or related to a cost of living or other index, was first developed in the 1950s. Part or all of the funds normally placed in common stocks or other investments are maintained in a separate investment account. Considerably more investment latitude is permitted with funds in separate accounts than with life insurance investments generally. With one type of variable annuity, income payments are fixed and guaranteed once they begin, although the initial size depends upon the value of the fund. With another, the income payments themselves vary with the current value of the investments on which the annuity is based. Many plans provide for a combination of fixed or variable incomes under one contract.

Survey data for year-end 1979 showed that there were 2.0 million persons covered by life insurance company variable annuity plans in the United States. Some 1.9 million of these persons were covered by plans with equity-based benefits.

Annualized income paid in 1979 amounted to $176.8 million, $44.4 million under the variable payment portion and $132.4 million under the fixed portion. In addition, many persons have plans which provide a variable benefit if the variable payment option is exercised prior to retirement as specified in the contract.

Variable Annuity Plans in the United States 1979

(Dollar Amounts in Thousands)

	Group Plans			Individual Plans (Equity Fund Index)	Total (Group and Individual)
	Equity Fund Index	Other Indices	Total Group		
IN FORCE YEAR-END 1979					
No. of Plans	50,030	10	50,040	—	—
No. of Persons	1,209,950	73,900	1,283,850	720,440	2,004,290
Reserves					
Variable	$2,512,630	$395,540	$2,908,170	$1,987,710	$ 4,895,880
Other	4,702,040	211,150	4,913,190	1,998,860	6,912,050
Total	$7,214,670	$606,690	$7,821,360	$3,986,570	$11,807,930
CONSIDERATIONS IN 1979					
Variable	$ 303,420	$ 31,620	$ 335,040	$ 266,560	$ 601,600
Other	976,740	16,740	993,480	320,100	1,313,580
Total	$1,280,160	$ 48,360	$1,328,520	$ 586,660	$ 1,915,180
VARIABLE ANNUITIES IN COURSE OF PAYMENT — 1979					
No. of Persons Receiving Payments Year-End 1979	15,660	9,660	25,320	9,710	35,030
Annualized Income					
Variable	$ 16,700	$ 22,910	$ 39,610	$ 4,800	$ 44,410
Fixed	101,150	23,010	124,160	8,260	132,420
Total	$ 117,850	$ 45,920	$ 163,770	$ 13,060	$ 176,830

Note: The table includes variable and fixed data on plans which provide variable annuity benefits either in whole or in part. Numbers of plans and active lives under plans which provide an option for a variable annuity payout at retirement are not included. For 1979 there were 500 such groups covering 93,800 persons, and 3,580 individual plans.

Source: American Council of Life Insurance.

LIFE INSURANCE AND ANNUITY BENEFIT PAYMENTS

Americans received $32.4 billion in payments from life insurance policies and annuities during 1979, a 13.2% increase over 1978.

These payments, increasing steadily for many years, reflect the growing use of life insurance, not only in providing funds for the family whose breadwinner dies but for family financial needs during the policyholder's lifetime.

Since the majority of payments to beneficiaries, as well as payments to policyholders and annuitants, are made well after the time of purchase, life insurance benefit payments have not yet fully reflected the increase in life insurance and annuity purchases of the past two decades.

Several factors affect the pattern of life insurance benefit payments. Primary among them are the changes in the death rate among policyholders and the growth of group life insurance and other term insurance policies which do not incorporate a cash value.

These figures do not include $1.9 billion of benefits paid by other organizations issuing legal reserve life insurance, including fraternal societies, and by the Federal government.

Life Insurance and Annuity Benefit Payments

In the United States *(000,000 Omitted)*

	Life Policyholders and Beneficiaries							
Year	Death Payments	Matured Endowments	Disability Payments	Surrender Values	Policy Dividends	Total	Annuity Payments	Grand Total
1940 ...	$ 995	$ 269	$104	$ 652	$ 468	$ 2,488	$ 176	$ 2,664
1945 ...	1,279	407	88	211	466	2,451	216	2,667
1950 ...	1,590	495	100	592	627	3,404	327	3,731
1955 ...	2,241	614	110	896	1,021	4,882	501	5,383
1960 ...	3,346	673	124	1,633	1,512	7,288	830	8,118
1965 ...	4,832	931	163	1,932	2,259	10,117	1,300	11,417
1966 ...	5,218	982	169	2,120	2,416	10,905	1,437	12,342
1967 ...	5,665	1,017	175	2,243	2,596	11,696	1,598	13,294
1968 ...	6,209	967	196	2,456	2,803	12,631	1,754	14,385
1969 ...	6,758	953	205	2,722	2,967	13,605	1,920	15,525
1970 ...	7,017	978	233	2,887	3,214	14,329	2,120	16,449
1971 ...	7,423	990	257	2,882	3,300	14,852	2,325	17,177
1972 ...	8,007	1,001	271	3,027	3,640	15,946	2,628	18,574
1973 ...	8,572	1,025	317	3,418	3,948	17,280	3,033	20,313
1974 ...	8,885	991	375	3,642	4,208	18,101	3,351	21,452
1975 ...	9,192	946	426	3,763	4,544	18,871	3,665	22,536
1976 ...	9,593	976	458	4,148	5,017	20,192	4,419	24,611
1977 ...	10,196	932	495	4,309	5,263	21,195	5,267	26,462
1978 ...	11,108	916	533	4,520	5,674	22,751	5,863	28,614
1979 ...	11,766	913	554	5,473	6,131	24,837	7,548	32,385

Note: Figures represent benefit payments under original policy contracts, including benefits that are left with the companies for future payment under supplementary contracts, but excluding payments from existing supplementary contracts. See page 47 for supplementary contract payments and page 48 for health insurance benefits paid by life companies. Annuity payments include death, surrender, disability and dividend payments.

Source: American Council of Life Insurance.

Life Insurance and Annuity Benefit Payments

In the United States by State 1979 *(000 Omitted)*

State	Death Payments	Matured Endowments	Annuity Payments	Disability Payments	Surrender Values	Policy and Contract Dividends	Total
Alabama	$ 195,700	$ 9,700	$ 47,400	$ 7,600	$ 69,900	$ 77,400	$ 407,700
Alaska	17,900	500	6,700	400	6,700	7,700	39,900
Arizona	119,900	8,600	90,200	6,700	68,700	76,100	370,200
Arkansas	77,100	5,300	28,900	4,600	30,400	39,600	185,900
California	1,077,400	68,900	900,200	55,300	550,600	617,300	3,269,700
Colorado	149,600	9,700	62,700	5,200	77,100	94,600	398,900
Connecticut	210,800	18,900	187,000	8,400	117,500	135,700	678,300
Delaware	45,100	2,800	18,100	1,400	16,500	22,800	106,700
D. C.	58,200	3,300	20,100	1,600	19,400	24,100	126,700
Florida	487,500	40,100	373,400	26,900	278,900	258,800	1,465,600
Georgia	286,800	14,100	64,900	12,800	122,300	122,500	623,400
Hawaii	54,000	3,800	43,500	2,700	24,400	37,800	166,200
Idaho	32,100	2,600	15,900	1,200	17,300	24,300	93,400
Illinois	724,400	64,000	397,500	28,600	323,500	497,900	2,035,900
Indiana	285,800	25,100	135,700	15,200	128,100	176,400	766,300
Iowa	139,800	15,800	77,200	11,300	70,800	126,100	441,000
Kansas	115,700	9,900	61,400	7,200	56,600	81,200	332,000
Kentucky	157,600	14,500	54,600	7,200	54,100	76,100	364,100
Louisiana	204,500	9,600	68,600	8,500	63,700	89,900	444,800
Maine	46,700	6,200	29,500	3,000	28,200	40,100	153,700
Maryland	241,000	20,200	106,100	7,600	99,700	134,400	609,000
Massachusetts	293,200	27,000	230,700	10,000	163,100	198,600	922,600
Michigan	546,200	37,600	218,200	37,500	210,900	261,100	1,311,500
Minnesota	179,500	15,500	123,700	7,900	86,600	141,800	555,000
Mississippi	87,300	4,800	17,100	3,700	33,000	39,100	185,000
Missouri	250,200	19,200	130,300	11,400	111,700	149,300	672,100
Montana	30,400	3,100	16,800	1,200	15,200	21,800	88,500
Nebraska	71,000	7,300	46,700	3,000	40,600	65,800	234,400
Nevada	40,900	1,700	17,600	1,200	14,800	16,900	93,100
New Hampshire	39,400	5,100	22,200	1,600	22,900	30,900	122,100
New Jersey	523,300	43,200	322,300	23,000	261,300	321,500	1,494,600
New Mexico	49,800	3,500	26,400	1,900	22,100	28,100	131,800
New York	1,065,400	92,000	668,900	55,200	565,600	774,800	3,221,900
North Carolina	258,200	17,100	91,000	9,100	108,900	125,600	609,900
North Dakota	29,100	2,200	10,900	1,100	13,700	17,700	74,700
Ohio	654,000	57,600	415,900	34,300	305,100	397,800	1,864,700
Oklahoma	138,400	7,800	74,500	5,600	54,800	69,300	350,400
Oregon	114,500	8,900	87,800	4,600	58,400	69,200	343,400
Pennsylvania	714,300	76,100	384,600	36,100	314,300	437,600	1,963,000
Rhode Island	51,400	5,000	28,200	1,800	32,400	38,400	157,200
South Carolina	137,200	8,600	33,800	5,300	52,600	49,700	287,200
South Dakota	27,000	2,300	11,500	1,400	13,100	20,100	75,400
Tennessee	222,300	12,500	92,400	10,500	95,500	111,000	544,200
Texas	682,100	32,600	395,400	24,200	274,600	262,700	1,671,600
Utah	48,600	3,200	27,100	2,900	27,600	30,000	139,400
Vermont	20,300	2,900	16,900	900	11,400	16,000	68,400
Virginia	278,600	19,500	105,000	8,200	108,300	129,000	648,600
Washington	156,400	11,900	121,400	8,300	84,400	112,300	494,700
West Virginia	89,700	7,300	61,100	7,000	25,200	45,600	235,900
Wisconsin	219,700	22,700	142,200	11,200	112,600	182,700	691,100
Wyoming	19,700	1,500	11,400	600	8,000	12,200	53,400
Total U. S.	$11,765,700	$913,300	$6,741,600	$554,100	$5,473,100	$6,937,400	$32,385,200

Note: Totals for annuity payments and dividend payments differ from those shown on pages 7, 39 and 46 because annuity dividends in this table are included with policy dividends rather than with annuity payments.

Source: American Council of Life Insurance.

Payments to Beneficiaries

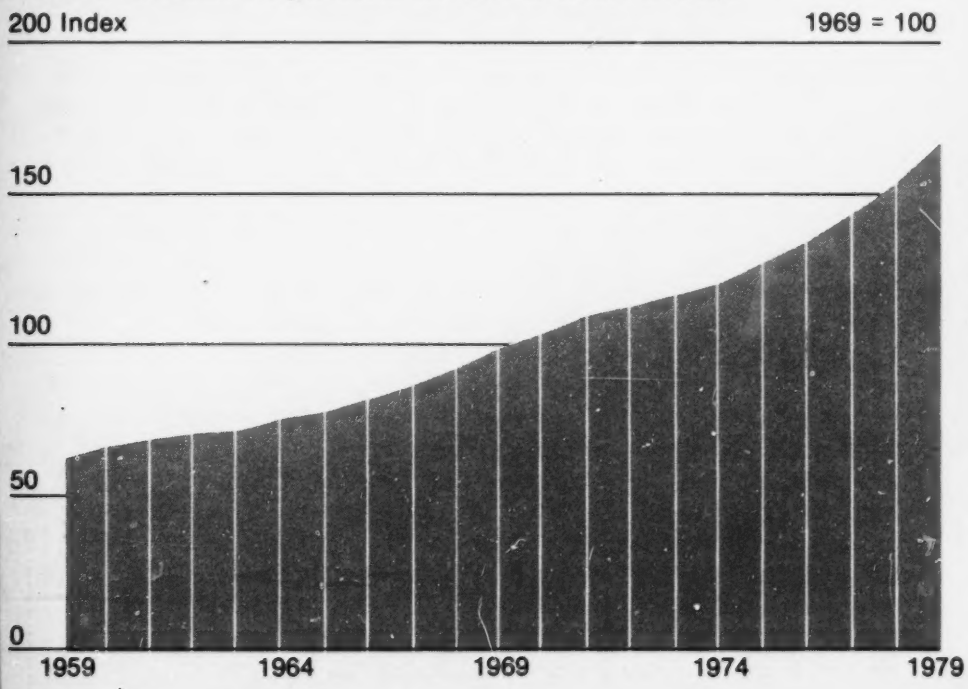
The main reason people buy life insurance is to protect their dependents against financial hardship when the policyholder dies. The extent to which American families depend upon life insurance to provide this economic protection was documented in a survey of widows several years ago, which showed that life insurance of some type was owned by 92% of the husbands. Individually purchased policies bought from legal reserve companies were owned by 7 out of 10 husbands.

Nationally, the growth in the level of life insurance ownership has been the primary reason for the almost uninterrupted rise in life insurance death payments over the years, despite a generally downward trend in death rates among life insurance policyholders, as evidenced by a decline in recent years in the number of death claims.

During 1979, life insurance companies paid $11.8 billion to beneficiaries of policyholders who died. Of this total, ordinary life insurance policies accounted for 47.2% of the payments and provided $5.5 billion. Group life insurance payments to beneficiaries totaled $5.1 billion. Group life insurance has grown as a proportion of total death payments, accounting for 43.6% of death payments in 1979, compared to 40.3% in 1974. Payments to beneficiaries from industrial life insurance came to some $480 million in 1979. Benefits paid under short-term individual and group credit life insurance policies (life insurance on loans of 10 years' or less duration) were $611 million in 1979.

The largest amount of death payments in 1979 by state was made in California—$1,077 million. New York ranked second with $1,065 million.

Relative Growth In Average Size Life Insurance Death Benefit Payments in the United States



Payments to Life Insurance Beneficiaries In the United States

(No. in Thousands, Amount in Millions)

Year	Ordinary		Group		Industrial		Credit*		Total	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1940 ...	267	$ 729	50	$ 104	707	$162	-	-	1,024	$ 995
1945 ...	370	897	92	171	856	212	-	-	1,318	1,280
1950 ...	403	1,090	133	283	843	217	-	-	1,379	1,590
1955 ...	489	1,380	243	591	929	270	-	-	1,661	2,241
1960 ...	630	1,904	394	1,115	1,014	327	-	-	2,038	3,346
1961 ...	649	2,001	481	1,246	1,010	334	-	-	2,140	3,581
1962 ...	684	2,138	535	1,382	1,045	358	-	-	2,264	3,878
1963 ...	730	2,311	580	1,521	1,074	377	-	-	2,384	4,209
1964 ...	763	2,485	608	1,664	1,057	385	-	-	2,428	4,534
1965 ...	784	2,604	636	1,824	1,082	403	-	-	2,502	4,831
1966 ...	815	2,750	683	2,058	1,079	410	-	-	2,577	5,218
1967 ...	832	2,961	721	2,288	1,060	416	-	-	2,613	5,665
1968 ...	930	3,210	746	2,578	1,039	421	-	-	2,715	6,209
1969 ...	955	3,424	769	2,898	1,025	436	-	-	2,749	6,758
1970 ...	960	3,545	767	3,027	1,014	445	-	-	2,741	7,017
1971 ...	987	3,699	761	3,267	1,017	457	-	-	2,765	7,423
1972 ...	1,036	4,004	810	3,537	1,040	466	-	-	2,886	8,007
1973 ...	1,057	4,222	541	3,377	1,018	477	398	$496	3,014	8,572
1974 ...	1,068	4,340	590	3,580	974	472	377	493	3,009	8,885
1975 ...	1,076	4,439	591	3,807	922	462	337	484	2,926	9,192
1976 ...	1,090	4,635	580	3,991	933	475	322	492	2,925	9,593
1977 ...	1,081	4,879	571	4,334	911	475	307	508	2,870	10,196
1978 ...	1,123	5,312	592	4,738	928	488	318	570	2,961	11,108
1979 ...	1,103	5,548	601	5,127	881	480	309	611	2,894	11,766

*Prior to 1973 death payments under Credit Life Insurance are included with Ordinary and Group.

Source: American Council of Life Insurance.

Analyses of death payments indicate that members of policyholders' immediate families are the beneficiaries of most of the proceeds from all types of life insurance. Most other payments go to relatives outside the immediate family, with smaller proportions going to estates and trusts, business firms and partners, and to educational, charitable and other institutions.

The most recent study of benefit payments showed that in April 1977, 25% of all death payments from ordinary life insurance were on the lives of policyholders under the age of 50, 57% were on policyholders aged 50 to 74, and 18% were on the lives of persons 75 years old or older.

Most payments to beneficiaries are taken in a lump sum. However, some beneficiaries elect to leave the proceeds with the insurance companies at interest. Another choice of settlement, under both group and ordinary insurance, is to take an income for life or for a specified period.

The 1977 survey from which these conclusions are drawn is the most recent in a series of 11 periodic surveys of payments to beneficiaries under ordinary life insurance policies. A comparison of these studies reveals shifts in some aspects of payments to beneficiaries. For example, the size of payments upon death under ordinary life insurance policies has been growing, reflecting the increasing size of policies in force. When the first survey was taken in 1948, payments to beneficiaries of $10,000 or more were made on only 5.6% of the policies. By the 1977 survey, the proportion more than doubled to 11.7%.

Many life insurance policies provide an additional benefit if the policyholder's death is accidental. During 1979, life insurance companies' payments under accidental death clauses totaled $255 million.

Payments to Life Insurance Beneficiaries In the United States by State 1979

State	Ordinary*		Group**		Industrial		Total	
	No.	Amount (000 Omitted)	No.	Amount (000 Omitted)	No.	Amount (000 Omitted)	No.	Amount (000 Omitted)
Alabama	12,200	$ 82,000	15,100	$ 88,100	79,300	$25,600	106,600	$ 195,700
Alaska	600	7,100	1,500	10,800	—	—	2,100	17,900
Arizona	12,800	69,100	8,800	49,200	2,600	1,600	24,200	119,900
Arkansas	7,100	41,900	5,300	32,700	4,500	2,500	16,900	77,100
California	80,700	526,800	81,100	530,700	28,300	19,900	190,100	1,077,400
Colorado	11,500	72,200	13,000	74,100	4,000	3,300	28,500	149,600
Connecticut	20,600	96,900	15,000	109,900	7,000	4,000	42,600	210,800
Delaware	3,200	14,600	2,900	28,700	3,400	1,800	9,500	45,100
D. C.	2,700	17,800	5,300	37,900	4,700	2,500	12,700	58,200
Florida	52,700	282,000	30,200	173,800	56,800	31,700	139,700	487,500
Georgia	25,500	127,700	20,800	130,700	52,800	28,400	99,100	286,800
Hawaii	2,500	22,800	5,500	31,100	100	100	8,100	54,000
Idaho	3,000	16,800	2,800	15,100	200	200	6,000	32,100
Illinois	75,500	350,600	57,000	344,300	45,300	29,500	177,800	724,400
Indiana	28,200	123,400	23,600	148,200	24,000	14,200	75,800	285,800
Iowa	17,600	81,400	9,700	56,100	3,600	2,300	30,900	139,800
Kansas	13,000	66,200	8,100	46,800	4,300	2,700	25,400	115,700
Kentucky	17,300	73,700	11,200	73,100	21,200	10,800	49,700	157,600
Louisiana	13,400	91,200	15,700	96,600	35,200	16,700	64,300	204,500
Maine	5,500	23,900	4,400	21,700	2,100	1,100	12,000	46,700
Maryland	20,700	104,500	18,300	124,400	23,400	12,100	62,400	241,000
Massachusetts	41,300	141,900	21,200	142,400	19,400	8,900	81,900	293,200
Michigan	42,300	196,500	48,900	333,800	24,900	15,900	116,100	546,200
Minnesota	19,100	91,700	16,400	85,100	4,700	2,700	40,200	179,500
Mississippi	6,200	41,900	7,900	42,300	6,400	3,100	20,500	87,300
Missouri	31,200	125,400	18,700	114,000	19,800	10,800	69,700	250,200
Montana	3,000	16,300	2,800	13,800	300	300	6,100	30,400
Nebraska	8,800	41,800	4,400	28,200	2,100	1,000	15,300	71,000
Nevada	2,000	13,900	4,200	26,800	300	200	6,500	40,900
New Hampshire	5,000	19,900	2,900	18,300	2,200	1,200	10,100	39,400
New Jersey	50,600	244,100	30,700	260,100	32,800	19,100	114,100	523,300
New Mexico	3,800	24,400	4,000	24,700	1,300	700	9,100	49,800
New York	111,900	525,900	71,800	508,200	51,200	31,300	234,900	1,065,400
North Carolina	27,400	120,500	20,700	120,000	32,300	17,700	80,400	258,200
North Dakota	3,000	17,800	2,200	11,200	100	100	5,300	29,100
Ohio	62,100	294,500	49,700	328,500	51,600	31,000	163,400	654,000
Oklahoma	11,700	72,900	9,400	62,600	4,600	2,900	25,700	138,400
Oregon	8,700	53,500	9,500	60,000	1,500	1,000	19,700	114,500
Pennsylvania	84,300	326,700	55,900	344,300	75,700	43,300	215,900	714,300
Rhode Island	8,600	26,000	4,200	23,600	4,100	1,800	16,900	51,400
South Carolina	15,400	59,900	11,300	61,800	28,200	15,500	54,900	137,200
South Dakota	3,300	16,700	2,000	10,300	100	†	5,400	27,000
Tennessee	18,100	97,900	19,200	111,000	27,000	13,400	64,300	222,300
Texas	52,600	333,300	51,200	329,700	37,200	19,100	141,000	682,100
Utah	4,200	21,900	5,000	26,000	1,000	700	10,200	48,600
Vermont	2,300	10,200	1,700	9,700	800	400	4,800	20,300
Virginia	20,400	116,600	21,900	146,200	29,700	15,800	72,000	278,600
Washington	12,500	73,200	14,300	81,700	2,300	1,500	29,100	156,400
West Virginia	7,500	36,000	8,200	49,500	7,400	4,200	23,400	89,700
Wisconsin	24,400	112,600	16,300	101,400	9,000	5,700	49,700	219,700
Wyoming	1,500	9,900	1,300	9,700	100	100	2,900	19,700
Total U. S.	1,119,800	$5,576,400	893,200	$5,708,900	860,900	$480,400	2,893,900	$11,765,700

*Includes $28 million in payments to beneficiaries under individual credit life insurance policies on loans of ten years' or less duration.

**Includes $582 million in payments to beneficiaries under group credit life insurance on loans of ten years' or less duration.

†Less than $50,000.

Source: American Council of Life Insurance.

Analysis of Payments to Beneficiaries Under Ordinary Life Insurance in the United States

	Percent of Policies			Percent of Amount		
	May 1969	May 1973	April 1977	May 1969	May 1973	April 1977
SEX OF INSURED						
Male	78.8	77.0	75.4	91.1	89.2	88.6
Female	21.2	23.0	24.6	8.9	10.8	11.4
Total	100.0	100.0	100.0	100.0	100.0	100.0
AGE OF INSURED AT DEATH						
Under 25	4.0	3.4	3.0	4.1	3.4	3.2
25-34	2.0	2.5	2.5	4.2	5.5	6.0
35-44	4.7	4.3	3.7	8.4	9.2	8.7
45-54	12.2	11.8	10.5	18.7	18.2	17.5
55-64	24.4	23.3	21.7	25.5	24.5	25.1
65-74	26.9	27.2	28.0	19.8	21.7	21.4
75 or Older	25.8	27.5	30.6	19.3	17.5	18.1
Total	100.0	100.0	100.0	100.0	100.0	100.0
RELATIONSHIP OF BENEFICIARY TO INSURED						
Husband	8.2	8.6	9.1	3.2	3.9	4.4
Wife	54.1	51.5	52.0	57.9	54.1	58.2
Child or Children	16.1	17.7	18.0	9.5	11.0	10.6
Other Relatives	12.0	11.6	10.9	9.4	7.8	8.3
Estate or Trust	5.9	6.9	6.3	9.7	9.7	9.0
Institution	.6	.6	.6	1.4	1.7	1.4
All Other	3.1	3.1	3.1	8.9	11.8	8.1
Total	100.0	100.0	100.0	100.0	100.0	100.0
DURATION OF POLICY WHEN IT BECAME A CLAIM						
Less Than 1 Year	1.8	1.9	1.5	3.4	4.2	3.8
1 to 5 Years	7.4	7.0	6.2	13.6	14.2	15.2
5 to 10 Years	9.7	9.0	8.5	14.7	15.2	16.2
10 to 20 Years	18.2	20.1	21.1	22.4	23.2	24.1
20 to 30 Years	20.3	17.0	16.6	16.6	15.3	15.5
30 Years or More	42.6	45.0	46.1	29.3	27.9	25.2
Total	100.0	100.0	100.0	100.0	100.0	100.0
SEX OF BENEFICIARY						
Male	19.3	20.3	19.4	12.2	12.1	11.4
Female	68.7	67.3	66.7	66.3	65.1	67.6
Both Sexes Represented	4.4	4.6	6.0	4.6	6.2	6.0
All Other	7.6	7.8	7.9	16.9	16.6	15.0
Total	100.0	100.0	100.0	100.0	100.0	100.0
METHOD OF PAYING PROCEEDS						
Lump Sum	94.5	95.8	97.2	89.7	93.0	93.9
Life Income	1.0	.8	.3	1.6	1.0	.5
Annuity Certain	1.8	1.1	.9	3.5	2.0	1.3
Held at Interest	2.2	1.8	1.4	4.4	3.3	4.0
All Other	.5	.5	.2	.8	.7	.3
Total	100.0	100.0	100.0	100.0	100.0	100.0

Note: Figures exclude individual credit life insurance on loans of ten years' or less duration.

Source: American Council of Life Insurance.

Payments to Policyholders and Annuitants

Although the basic purpose of life insurance is to provide protection against the economic risks of death, it also generates important values for the individual policyholder. Benefits paid during the lifetime of the policyholder are often called living benefits.

Payments to life insurance policyholders in 1979 totaled $13.1 billion, 52.6% of total life insurance benefit payments in the United States. They consisted of payments from matured endowments, surrender values, disability provisions, and policy dividends.

Matured endowments paid policyholders over $913 million during the year. Disability payments under life insurance policies totaled $554 million, including $350 million in direct income payments to disabled policyholders and $204 million in waived premiums.

Cash surrender values paid on policies terminated voluntarily during the year amounted to nearly $5.5 billion, an increase of 21.1% over the previous year. Although some of the policies were surrendered to meet financial emergencies or in accordance with plans to meet long-term goals, the high inflation and interest rates during 1979 contributed to the unusually large increase in surrender payments.

Dividends to policyholders accounted for 46.9% of all payments to life insurance policyholders in 1979. These policy dividends amounted to over $6.1 billion. Dividends represent the return to policyholders of part of the payments they have made on policies sold on a participating basis and reflect the portion that was not needed by the company after payments of claims, additions to reserves and administrative expenses.

Annuitants received $7.5 billion in payments and dividends in 1979, up 28.7% from the $5.9 billion paid in 1978.

Based on an analysis of 1975 life insurance and annuity dividend payments (the most recent year for which data are available), it is estimated that policyholders used 21% of the policy dividend total to help pay their premiums, left 28% with the life companies at interest, used 32% to buy additional life insurance or annuities, and took 19% in cash. The proportion used to purchase

Payments to Life Insurance Policyholders in the United States

Year	Amount (000)	% of Total Life Insurance Payments	Year	Amount (000)	% of Total Life Insurance Payments
1940	$1,492,800	60 0	1970	$ 7,311,700	51.0
1945	1,171,300	47.8	1971	7,429,000	50.0
1950	1,813,800	53.3	1972	7,939,100	49.8
1955	2,641,400	54.1	1973	8,708,300	50.4
1960	3,942,000	54.1	1974	9,215,600	50.9
1965	5,285,500	52.2	1975	9,679,200	51.3
1966	5,687,300	52.2	1976	10,598,500	52.5
1967	6,030,300	51.6	1977	10,999,000	51.9
1968	6,421,900	50.8	1978	11,643,800	51.2
1969	6,846,400	50.3	1979	13,071,500	52.6

Note: Payments to life insurance policyholders include matured endowments, disability payments, surrender values and policy dividends.

Source: American Council of Life Insurance.

Payments to Annuitants In the United States *(000 Omitted)*

Year	Amount	Year	Amount
1940	$ 176,500	1970	$2,120,400
1945	216,400	1971	2,324,900
1950	327,200	1972	2,628,000
1955	500,600	1973	3,032,500
1960	830,400	1974	3,351,600
1965	1,299,700	1975	3,664,900
1966	1,436,700	1976	4,419,400
1967	1,598,000	1977	5,267,300
1968	1,753,800	1978	5,862,900
1969	1,920,000	1979	7,548,000

Note: Annuity payments include death, surrender, disability and dividend payments.
Source: American Council of Life Insurance.

additional coverage has been increasing for two decades, whereas the proportion used to pay premiums for existing coverage has declined.

An analysis of benefit payments to holders of matured endowments and of surrender values paid in April 1977 showed that 43% of matured endowment policy proceeds and 79% of the surrender values were paid to insureds under age 65.

Men received 72.4% of the proceeds from matured endowments and 81.4% of the surrender values.

Whereas almost 75% of the proceeds from matured endowments were paid as a lump sum, 97% of the surrender values were paid that way.

Benefit Payments Under Supplementary Contracts

The role of life insurance in providing security for a family is not necessarily limited to lump sum payment of a policy's proceeds. Settlement options are available from life insurance companies as alternatives to lump sum settlements. Instead of taking the policy's proceeds in cash, many policyholders and beneficiaries have been setting aside millions of dollars in benefits each year under annuity and other plans, or leaving them to draw interest until needed.

During 1979, Americans left $770 million of their life insurance proceeds with life insurance companies under supplementary contracts, compared to $1.0 billion left with the companies the preceding year. Some of the contracts provided a regular income, either for specified periods or for life. With others, the funds were held at interest until called for by the policyholder or beneficiary, with interest being paid to them regularly.

The amount set aside with life companies under supplementary contracts amounted to 5% of all 1979 death payments, matured endowments and surrender value payments under ordinary and group life insurance policies. At the end of the year, the accumulated policy proceeds set aside under supplementary contracts amounted to $9.4 billion, up $50 million from the previous year. Life insurance companies paid out $1.5 billion in income from these accumulated funds during 1979.

Use of Life Insurance Benefits Under Supplementary Contracts

In the United States *(000 Omitted)*

Year	Benefits Set Aside	Payments From Accumulated Funds	Year	Benefits Set Aside	Payments From Accumulated Funds
1945	$540	$ 295	1971	$ 870	$1,220
1950	680	520	1972	870	1,210
1955	780	720	1973	940	1,320
1960	760	970	1974	820	1,320
1965	920	1,110	1975	910	1,280
1966	920	1,180	1976	950	1,290
1967	940	1,190	1977	1,080	1,340
1968	890	1,240	1978	1,030	1,440
1969	840	1,310	1979	770	1,490
1970	790	1,290			

Source: American Council of Life Insurance.

Health Insurance Benefit Payments

A large share of private health insurance for Americans is provided by life insurance companies.

Health insurance has become an important aspect of the services of U.S life companies. They paid $20.6 billion of the health insurance benefits to Americans in 1979, including $17.5 billion under group contracts and $3.1 billion under individual policies. Total health benefit payments by life companies have increased rapidly in recent years, rising by 70.2% since 1974. Much of this growth is attributable to the higher insurance benefit levels in the last several years.

Of the 1979 benefit payments, $15.7 billion was for medical expenses, including hospital and surgical expenses; $3.6 billion for loss of income (including accidental death and dismemberment payments); and $1.3 billion under dental policies.

These statistics do not include disability payments under life insurance policies and health insurance payments by casualty and other health insuring companies, Blue Cross/Blue Shield and similar organizations.

Health Insurance Benefit Payments in the United States

Paid by Life Insurance Companies *(000,000 Omitted)*

Year	Group	Individual	Total
1948	$ 225	$ 101	$ 326
1950	375	119	494
1955	1,064	326	1,390
1960	2,102	531	2,633
1961	2,339	578	2,917
1962	2,603	631	3,234
1963	2,876	709	3,585
1964	3,199	788	3,987
1965	3,572	841	4,413
1966	3,927	1,044	4,971
1967	4,306	1,046	5,352
1968	4,947	1,152	6,099
1969	5,746	1,128	6,874
1970	6,840	1,368	8,208
1971	7,721	1,343	9,064
1972	8,225	1,450	9,675
1973	8,820	1,480	10,300
1974	10,500	1,600	12,100
1975	12,410	1,910	14,320
1976	14,090	2,070	16,160
1977	15,230	2,240	17,470
1978	15,636	3,110	18,746
1979	17,525	3,068	20,593

Note: Figures exclude policy dividends.

Sources: American Council of Life Insurance and Health Insurance Association of America.

MAJOR PENSION AND RETIREMENT PROGRAMS

It is estimated that at the end of 1979 some 49 million American workers were participants in major private and public pension and retirement programs other than Social Security.

About 58 million persons were members of private nongovernment plans. This includes both active workers and those presently retired, along with survivors and beneficiaries. There is some duplication, which may be significant but is unknown, as a result of a worker being covered by more than one plan. It is not possible to eliminate duplication in or between the two major categories—those persons under plans with insurance companies and those under private plans administered by trustees, trust companies or banks.

Government-administered plans, including those for Federal civilian employees, state and local government employees and railroad workers, involved 19.7 million persons at year-end 1979. This figure also includes some persons counted more than once who are covered by more than one plan, either private or some other government plan.

The Railroad Retirement System is unique in being a private system covering a single industry, but administered by the Federal government. The system is now actually a part of the Social Security program. It covers some 1.6 million persons. Figures for the railroad employees and their beneficiaries are separately maintained and generally are carried as a separate item under government-administered plans.

About 159 million persons had OASDI (Social Security) earnings credits at the end of 1979. Of these, 134 million had been in the Social Security program long enough to have fully-insured status as of year-end 1979.

Nearly one-half of all workers in commerce and industry in the United States, and close to three-fourths of all government civilian personnel, are enrolled in retirement plans other than Social Security. Included are those enrolled in profit-sharing plans which provide for periodic benefits at retirement. This compares with fewer than one-fifth of employees in commerce and industry and fewer than one-half of government workers in 1940.

Retirement plans have an important effect on two major areas of American social and economic life:

1. They provide appreciable amounts of income to many retired workers and their dependents. As benefit payments and the number of retired workers receiving benefits have increased, private plans have shown the greatest gains.

In 1979 private pension plans with life insurance companies paid $4.4 billion to 2.5 million persons. Government-administered retirement plans for civilian employees in the United States, including railroad plans, paid a total of $27.5 billion in benefits to 5.0 million retired persons or their beneficiaries. Of this amount, the Federal civilian employee plans paid $12.4 billion, state and local government employee plans paid $10.8 billion, and the Railroad System paid $4.3 billion.

Social Security (OASDI) benefits paid to retired workers including those on disability amounted to $71.9 billion. There were 21.8 million such persons on

Number of Persons Covered by Major Pension and Retirement Programs

In the United States *(000 Omitted)*

Year	Private Plans		Government-Administered Plans			
	With Life Insurance Companies	Other Private Plans	Railroad Retirement	Federal Civilian Employees†	State and Local Employees	OASI‡
1940	695	3,565	1,349	745	1,552	22,900
1945	1,470	5,240	1,846	2,928	2,008	41,070
1950	2,755	7,500	1,881	1,872	2,894	61,506
1955	4,105	12,290	1,876	2,333	3,927	74,887
1960	5,475	17,540	1,654	2,703	5,160	91,496
1961	5,635	18,440	1,662	2,855	5,309	95,643
1962	5,770	19,370	1,643	2,943	5,654	97,440
1963	6,060	19,990	1,664	2,985	5,940	99,320
1964	6,710	20,350	1,650	3,069	6,330	101,167
1965	7,040	21,060	1,661	3,114	6,780	103,827
1966	7,835	21,710	1,666	3,322	7,210	107,438
1967	8,700	22,330	1,641	3,499	7,594	110,746
1968	9,155	22,910	1,625	3,565	8,012	113,804
1969	9,920	24,410	1,620	3,627	8,303	116,904
1970	10,580	25,520	1,633	3,624	8,591	120,014
1971	10,880	26,580	1,578	3,596	9,079	122,735
1972	11,545	27,400	1,575	3,739	9,563	125,549
1973	12,485	28,700	1,582	4,040	9,850	129,045
1974	13,335	29,240	1,588	4,057	10,635	132,583
1975	15,190	30,300*	1,564	4,171	11,230	135,744
1976	16,965	N.A.	1,572	4,210	12,290	138,633
1977	19,205	N.A.	1,567	4,292	13,124	141,596
1978	21,615	N.A.	1,580	4,380	13,540*	144,260
1979	23,460	N.A.	1,568	4,398	13,700*	147,178

Notes: It is not possible to obtain a total for number of persons covered by pension plans by adding together the figures shown by year. Each series has been derived separately and there are differences in amount of duplication within each series and among the various series and also differences in definition of "coverage" among the series.

Private plans with life insurance companies include persons covered by Keogh plans, tax-sheltered annuities and, after 1974, IRA plans.

Data for "Other Private Plans" compiled by the Social Security Administration exclude plans for the self-employed, those having vested benefits but not presently employed at the firm where benefits were accrued, and also exclude an estimated number who have vested benefits from employment other than from their current employment.

These data represent various dates during the year, since the fiscal years of the plans are not necessarily the same. Trends from year to year within each series are not affected. The number of persons covered include survivors or dependents of deceased workers and beneficiaries as well as retired workers. Retirement arrangements for members of the armed forces, and provisions for veterans pensions, are not included.

N.A. = Not Available.

*Estimated.

†Includes members of the U.S. Civil Service Retirement System, the Tennessee Valley Authority Retirement System, the Foreign Service Retirement System, and the Retirement Plan for Employees of the Federal Reserve System, which includes the Bank Plan and the Board of Governors' plan.

‡Includes living workers insured for retirement and/or survivors benefits, including the self-employed, plus dependents of retired workers and survivors of deceased workers who are receiving periodic benefits.

Source: Compiled by the American Council of Life Insurance.

Old-Age, Survivors, and Disability Insurance *(000 Omitted)*

Year	Persons With Earnings Credits Year-End*	Persons Insured for Retirement Benefits	Employer and Worker Taxes in Year	Persons Fully Insured Year-End†	Persons Receiving Monthly Benefits Year-End	Monthly and Lump Sum Payments in Year
1945	72,400	40,300	$ 1,285,486	33,400	1,288	$ 273,885
1950	82,700	59,800	2,667,077	59,800	3,478	961,094
1955	98,600	71,400	5,713,045	70,500	7,960	4,968,155
1960	109,400	85,400	11,876,220	84,400	14,844	11,244,795
1965	121,300	95,800	17,205,372	94,800	20,867	18,310,676
1966	125,000	98,300	22,585,229	97,200	22,767	20,048,347
1967	127,900	101,200	25,423,792	99,900	23,707	21,406,455
1968	130,800	104,000	27,034,289	102,600	24,562	24,936,435
1969	133,500	106,900	31,545,608	105,400	25,314	26,750,841
1970	135,900	109,800	34,737,059	108,200	26,229	31,863,381
1971	138,200	112,300	38,342,721	110,700	27,291	37,170,726
1972	140,600	114,900	42,888,228	113,300	28,476	41,595,064
1973	142,900	118,100	51,907,100	116,500	29,868	51,459,310
1974	145,200	121,600	58,906,577	120,000	30,854	58,521,344
1975	148,300	124,600	64,259,394	123,000	32,085	66,922,707
1976	150,900	127,400	71,594,624	125,800	33,024	75,664,649
1977	154,000	130,200	78,710,397	128,500	34,083	84,575,800
1978	156,800	132,900	88,884,000	131,200	34,587	92,865,000
1979	159,200	135,800	103,033,000	134,100	35,125	104,263,000

Note: Data are revised. Data pertaining to the "Medicare" program are not included in this table.

*Persons who have ever had covered earnings and are living at end of year.

†Beginning in 1965, figures include transitionally insured persons. Data represent number insured at beginning of following year.

Source: Social Security Administration, U.S. Department of Health and Human Services.

the rolls at year-end, along with 13.3 million dependents and survivors. Just over $32.4 billion in benefits were paid in 1979 under OASDI to survivors and dependents. The majority of workers receiving benefits from private plans or government-administered plans also received OASDI payments.

2. As a result of the rapid accumulation of pension plan assets and reserves, pension funds have come to be a considerable source of capital for the nation's financial markets. At the end of 1979, the assets of all pension programs in the United States (including OASDI) amounted to over $623 billion.

Federal pension legislation enacted in 1974 was concerned with private plans, and various provisions became effective at different times. Under one provision, individual retirement accounts (IRAs) may be established by workers employed where there is no private retirement plan.

Social Security. Social Security is financed through taxes to provide payments to those who have retired, but it also helps families whose breadwinners die or become disabled.

A total of $103.0 billion in OASDI taxes (not including those for Medicare) was paid in 1979, including $49.5 billion by employers, $49.1 billion by employees and $4.4 billion by self-employed persons. For 1979, payments from OASDI amounted to $104.3 billion. Combined assets of the OASDI trust funds totaled $30.3 billion at year-end 1979.

Private Pension Plans with Life Insurance Companies

The number of Americans covered by pension plans with life insurance companies totaled 23.5 million at year-end 1979, an increase of 1.8 million over last year. This figure includes retired people receiving pension benefits, those who have left employment with vested pension credits, and those still actively at work. There is some duplication due to persons being covered under more than one plan.

Pension reserves behind plans with life companies at year-end totaled $139.2 billion, an increase of 16.8% over year-end 1979, and more than three times greater than 10 years ago. These reserves include the funds behind pension plan variable annuities, which are based wholly or in part on equity investments.

Group annuities cover the largest number of people under pension plans with life insurance companies. The traditional type is the deferred group annuity, under which a paid-up annuity is purchased each year for each employee, with the sum of these benefits paid as monthly income upon retirement. Deposit administration type plans set up a single fund for all employees in the pension group; money is withdrawn to buy an annuity for an employee when he retires. Immediate participation guarantee plans are a variation of this type, with participation in gains or losses from mortality and investments as they occur, rather than being spread over the life of the contract.

Under terminal funded plans, reserves are usually not set up with the insurance company until the employee is about to retire. Funding for the prospective pension prior to retirement may be handled in a variety of ways.

Individual policy pension trusts, group permanent plans, and profit-sharing plans—often used by smaller firms—were in effect for 2.0 million persons. Individual policy pension trusts usually involve the purchase of a whole life or endowment policy for each person to provide retirement benefits. Group permanent plans use whole life or endowment policies on a group basis keyed to retirement. Profit-sharing plans generally provide for an individual fund for each participant annually.

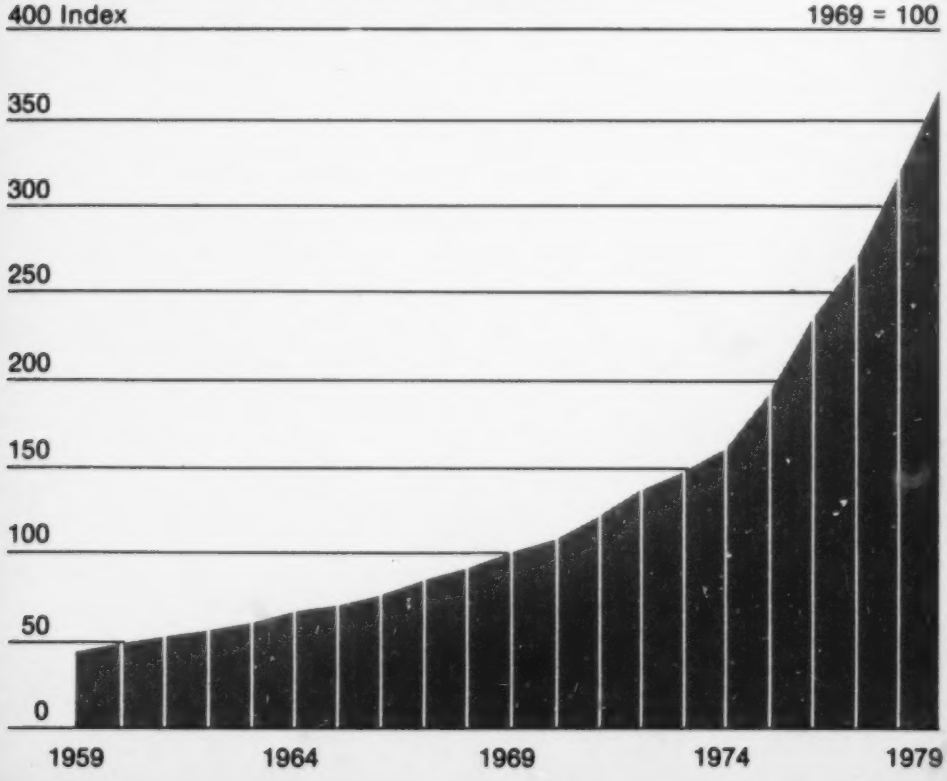
In September 1974, comprehensive Federal pension legislation, the Employee Retirement Income Security Act of 1974 (ERISA), was signed into law. This law relates primarily to private pension and welfare plans, and various sections of the law became effective at different times. One important section which became effective in 1975 allowed individuals to set up their own Individual Retirement Accounts (IRAs) if there was no private pension plan where they work. Contributions and accruals are tax free until retirement, with limits set on the annual amount of contributions and penalties set for early withdrawals. By year-end 1979, 1,050,000 persons had set up such plans with life insurance companies, and the average reserve per person was about $2,350. The maximum annual contribution allowed was 15% of salary or wage or $1,500, whichever was less. Beginning in 1977, a nonemployed spouse could be covered, with the maximum IRA contribution rising to $1,750. In 1979, the law was amended to provide for employer contributions of 15% of an employee's salary or $7,500, whichever is less, in lieu of the $1,500 employee contribution.

Another provision of ERISA liberalized Keogh plans, increasing the maximum amount that self-employed persons could set aside for themselves and their employees—from $2,500 to $7,500—so long as this did not exceed 15% of salary. The response to this action can be seen in the increase since 1974 in the number of persons covered under these plans and in the reserves held for them. Tax-sheltered annuities, permitted for use primarily in the academic community and nonprofit organizations, have also shown increases.

In 1979, payments of $4.4 billion were made under life company pension plans to 2.5 million persons. Of this amount, $4.0 billion was paid to 2.2 million persons with group annuity and terminal funded plans, and $370 million to 285,000 persons having individual policy pension trusts, group permanent and other plans. The number of persons receiving payments has more than doubled in the past 10 years, and the total annual payments are nearly four times as large.

Legislation in most states allows life insurance companies to maintain separate investment accounts for a given pension plan or group of plans. More latitude in equity investments is permitted for separate accounts than for life insurance company investments generally. Pension reserves in separate accounts were $24.1 billion at the end of 1979, an increase of 24.7% over last year. Some of the increase is attributable to increases in the valuation of securities, primarily common stocks, in these accounts.

Relative Growth in Life Insurance Companies' Pension Reserves in the United States



Private Pension Plans in the United States With Life Insurance Companies

Type of Plan	In Force at Year End: Number of Plans	In Force at Year End: Number of Persons Covered (000 Omitted)	In Force at Year End: Total Reserves Including Separate Accounts (000,000 Omitted)	In Force at Year End: Separate Account Reserves (000,000 Omitted)	Payments into Plans in Year (000,000 Omitted)	Pension Payments during Year: Number of Persons Receiving Payments (000 Omitted)	Pension Payments during Year: Pension Payments (000,000 Omitted)
1977							
Group Annuities†	64,320	13,805	$ 77,595	$14,140	$ 9,850	1,770	$2,620
Terminal Funded Group Plans	3,970	170	2,800	60	455	95	175
Individual Policy Pension Trusts‡	190,040	1,855	6,225	640	1,205	105	145
HR 10 (Keogh) Plans	N.A.	465	1,960	220	425	10	25
Tax-Sheltered Annuities	N.A.	1,235	5,255	1,100	1,060	30	55
Individual Retirement Accounts	N.A.	895	1,345	70	650	*	5
Other Plans	N.A.	780	6,340	230	915	70	80
Total	—	19,205	$101,520	$16,460	$14,560	2,080	$3,105
1978							
Group Annuities†	76,700	15,665	$ 91,245	$16,920	$10,960	1,965	$3,550
Terminal Funded Group Plans	4,210	200	3,375	60	500	120	220
Individual Policy Pension Trusts‡	191,740	1,955	6,480	650	1,245	125	145
HR 10 (Keogh) Plans	N.A.	465	2,040	230	380	10	25
Tax-Sheltered Annuities	N.A.	1,400	6,485	1,160	1,300	30	55
Individual Retirement Accounts	N.A.	960	1,870	80	585	5	10
Other Plans	N.A.	970	7,615	240	1,120	85	95
Total	—	21,615	$119,110	$19,340	$16,090	2,340	$4,100
1979							
Group Annuities†	83,610	17,085	$106,015	$21,410	$12,165	2,025	$3,715
Terminal Funded Group Plans	4,800	220	3,825	50	390	140	265
Individual Policy Pension Trusts‡	200,950	2,005	7,090	650	1,200	135	165
HR 10 (Keogh) Plans	N.A.	470	2,320	270	355	15	30
Tax-Sheltered Annuities	N.A.	1,640	8,355	1,390	1,605	40	60
Individual Retirement Accounts	N.A.	1,050	2,465	90	630	5	15
Other Plans	N.A.	990	9,110	250	1,555	90	100
Total	—	23,460	$139,180	$24,110	$17,900	2,450	$4,350

N.A. = Not Available.

*Fewer than 2,500.

†Includes Immediate Participation Guarantee and Deposit Administration plans.

‡Includes Group Permanent plans and profit-sharing plans.

Source: American Council of Life Insurance.

LAPSES AND SURRENDERS

The overall voluntary termination rate of ordinary life insurance policies in 1979 was 7.2%. The rate for older policies is significantly lower than for newer ones. The rate for policies in force less than two years was 21.0%; for those in force for two years or longer it was 5.1%.

Policyholders have different reasons for terminating their policies. Sometimes they use cash values to meet a current financial emergency and at times for purposes planned years earlier. In periods of high inflation and interest rates such as in 1975 and 1979 policy lapsation intensifies. In 1979 a total of $5.5 billion in cash values was paid to owners of life insurance policies. This figure does not include cash values used to obtain paid-up life insurance in a reduced amount or extended coverage for a specified period of time.

Rates of voluntary policy termination by policyholders vary considerably among life insurance companies. Each company's rate depends upon many factors, including the types of policies written and the ratio of new policies to older ones in force with the company.

The life insurance business strongly seeks to minimize the lapsing of policies. For example, the training of agents focuses on realistic identification of the life insurance needs of clients and the careful analysis of the use of family income for protection purposes. Since there is a higher termination rate of policies on which loans are outstanding, companies urge that loans be used only in genuine financial emergencies, and that they be promptly repaid.

Most companies offer policyholders time after delivery of the policy in which to consider whether to keep the policy. These companies will refund the premium in full if, within the prescribed time, the policyholder decides not to keep the policy.

Voluntary Termination Rate

Ordinary Policies in Force in the United States

Year	Policies In Force Less Than 2 Years	Policies In Force 2 Years or More	All Policies In Force	Year	Policies In Force Less Than 2 Years	Policies In Force 2 Years or More	All Policies In Force
1951	9.4%	2.2%	3.2%	1971	19.0%	3.9%	5.8%
1955	11.4	2.5	3.8	1972	19.3	3.9	6.0
1960	14.5	3.7	5.2	1973	18.8	4.3	6.3
1965	15.4	3.5	5.1	1974	19.5	4.5	6.5
1966	16.2	3.5	5.2	1975	20.9	4.5	6.7
1967	16.5	3.6	5.2	1976	19.7	4.6	6.6
1968	16.0	3.7	5.5	1977	19.5	4.7	6.6
1969	18.3	3.7	5.6	1978	19.6	4.6	6.6
1970	19.3	3.9	5.9	1979	21.0	5.1	7.2

Note: The rate is the ratio of the number of policies lapsed or surrendered (for cash, extended term or reduced paid-up insurance), less reinstatements, to the mean number of policies in force.

Source: American Council of Life Insurance.

INCOME OF LIFE INSURANCE COMPANIES

Life insurance companies receive funds from two main sources: premiums paid by policyholders and earnings on investments.

There is a close relationship between these income elements. Part of each premium payment becomes available for investment in the nation's economy. In calculating premiums, the anticipated investment earnings are taken into account, thereby reducing the price of life insurance to policyholders.

In 1979 total income of all U.S. life companies was $119.1 billion; 71% was from premium receipts and 25% from investment earnings. The remaining 4% came from other sources, mainly considerations (payments) for supplementary contracts.

Premium receipts and annuity considerations totaled $84.9 billion. Americans spent the equivalent of 3.51% of total disposable personal income in 1979 for life insurance and annuities, compared with 3.63% during 1978.

Income of U.S. Life Insurance Companies

(000,000 Omitted)

	Premium Receipts						
Year	Life Insurance Premiums	Annuity Considera-tions	Health Insurance Premiums*	Total Premium Receipts	Investment Income**	Other Income†	Total Income
1911	$ 626	$ 4	—	$ 630	$ 182	$ 24	$ 836
1915	776	6	—	782	241	20	1,043
1920	1,374	7	—	1,381	341	42	1,764
1925	2,340	38	—	2,378	551	89	3,018
1930	3,416	101	—	3,517	891	186	4,594
1935	3,182	491	—	3,673	1,013	386	5,072
1940	3,501	386	—	3,887	1,231	540	5,658
1945	4,589	570	—	5,159	1,445	1,070	7,674
1950	6,249	939	$ 1,001	8,189	2,075	1,073	11,337
1955	8,903	1,288	2,355	12,546	2,801	1,197	16,544
1960	11,998	1,341	4,026	17,365	4,304	1,338	23,007
1965	16,083	2,260	6,261	24,604	6,778	1,785	33,167
1970	21,679	3,721	11,367	36,767	10,144	2,143	49,054
1971	22,935	4,910	12,897	40,742	11,031	2,429	54,202
1972	24,678	5,503	14,318	44,499	12,127	2,222	58,848
1973	26,373	6,771	15,524	48,668	13,670	2,415	64,753
1974	27,750	7,737	17,123	52,610	15,144	2,256	70,010
1975	29,336	10,165	19,074	58,575	16,488	2,959	78,022
1976	31,358	13,962	21,059	66,379	18,758	3,421	88,558
1977	33,765	14,974	23,580	72,319	21,713	3,953	97,985
1978	36,592	16,339	25,829	78,760	25,294	4,152	108,206
1979	39,083	17,939	27,894	84,916	29,562	4,661	119,139

Note: Considerations for supplementary contracts with and without life contingencies are included under "Other Income." Prior to 1947, the business of health departments was not included.

*Includes some premiums for Workers' Compensation and auto and other liability insurance.

**Beginning with 1951, investment income is net of investment expenses.

†Beginning in 1975, "Other Income" includes commissions and expense allowance on reinsurance ceded. In 1975, this amounted to $382 million.

Sources: Spectator Year Book *and American Council of Life Insurance.*

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Almost half of all premium receipts in 1979 was accounted for by life insurance. This proportion has declined in relation to the income received from annuities and health insurance. In 1960, the proportion was 69%; by 1970 the proportion had dropped to 59%; and in 1979, the proportion was 46%.

Premium Receipts

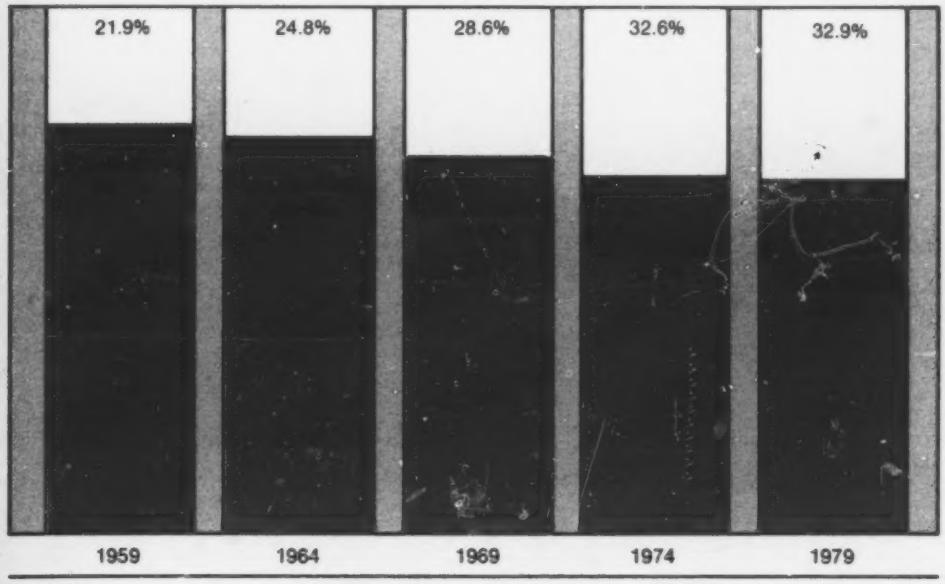
U.S. Life Insurance Companies *(000,000 Omitted)*

	1975	1976	1977	1978	1979
LIFE INSURANCE PREMIUMS					
Ordinary	$21,032	$22,492	$24,161	$26,341	$27,970
Group	5,792	6,218	6,855	7,285	8,007
Industrial	1,303	1,355	1,299	1,280	1,320
Credit	1,209	1,293	1,450	1,686	1,786
Total Life Insurance Premiums	29,336	31,358	33,765	36,592	39,083
ANNUITY CONSIDERATIONS					
Individual	2,664	3,713	4,552	4,454	4,976
Group	7,501	10,249	10,422	11,885	12,963
Total Annuity Considerations	10,165	13,962	14,974	16,339	17,939
HEALTH INSURANCE PREMIUMS					
Individual	4,497	4,637	5,009	5,505	6,081
Group	13,948	15,646	17,741	19,382	20,838
Credit	629	776	830	942	975
Total Health Insurance Premiums	19,074	21,059	23,580	25,829	27,894
Total Premium Receipts	$58,575	$66,379	$72,319	$78,760	$84,916

Note: Credit life insurance is limited to insurance on loans of ten years' or less duration.

Source: American Council of Life Insurance.

Distribution of Premium Receipts of U.S. Life Insurance Companies



*Includes some premiums for Workers' Compensation and auto and other liability insurance.

Ratio of Premiums and Annuity Considerations to Disposable Personal Income

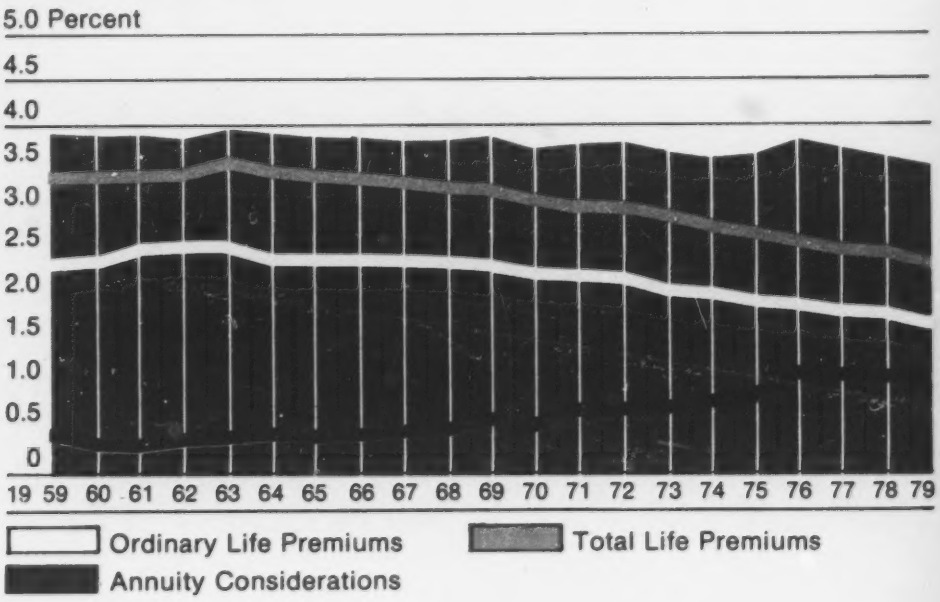
Year	Ordinary Life Premiums	Total Life Insurance Premiums	Annuity Considerations	Total
1929	N.A.	N.A.	N.A.	4.02%
1930	N.A.	N.A.	N.A.	4.72
1935	N.A.	N.A.	N.A.	6.28
1940	3.34%	4.62%	.51%	5.13
1945	2.17	3.05	.38	3.43
1950	2.18	3.04	.46	3.50
1955	2.28	3.26	.47	3.73
1960	2.48	3.43	.38	3.82
1965	2.48	3.41	.48	3.88
1966	2.46	3.36	.47	3.84
1967	2.43	3.32	.49	3.81
1968	2.39	3.29	.51	3.80
1969	2.35	3.25	.60	3.85
1970	2.28	3.16	.54	3.70
1971	2.23	3.09	.66	3.75
1972	2.21	3.08	.69	3.77
1973	2.08	2.92	.75	3.68
1974	2.02	2.82	.79	3.61
1975	1.95	2.71	.94	3.65
1976	1.90	2.64	1.18	3.82
1977	1.85	2.59	1.15	3.73
1978	1.81	2.51	1.12	3.63
1979	1.72	2.41	1.10	3.51

Note: Data are revised. Credit life premiums were included in the "Ordinary Life" category in years prior to 1973. Beginning with 1973, credit life insurance premiums on loans of ten years' or less duration are excluded. The sum of "Total Life Insurance Premiums" and "Annuity Considerations" may not add to "Total" in some cases, due to rounding.

N.A.—Not available.

Sources: U.S. Department of Commerce, Spectator Year Book *and American Council of Life Insurance.*

Ratio of Premiums to Disposable Personal Income



Ordinary policy premiums accounted for $28.0 billion, or 72% of the life insurance premiums in 1979. Most ordinary premiums, 79%, were renewals. Group insurance premiums amounted to $8.0 billion, or 20%, while industrial premiums accounted for $1.3 billion, or 3%. Credit life premiums totaled $1.8 billion, or 5%.

Annuity considerations totaled $17.9 billion, or 21% of total premium income in 1979. These payments have grown rapidly as a proportion of total premium receipts, especially since enactment of the Federal pension legislation in 1974. In 1960, the proportion was 8%, and by 1970 it grew to 10%. Significant increases in 1975 and 1976 were due primarily to large inflows of funds for group annuity contracts and for new issues of individual annuities. The amount of first-year considerations for individual annuities in 1979 was $802 million. Total considerations were equal to 1.10% of disposable personal income in 1979, compared with 1.12% in 1978.

The growth of health insurance sold by life companies is reflected in its increasing percentage of the premium total. Health insurance premiums accounted for $27.9 billion, or 33% of total premiums in 1979, compared with 31% in 1970 and 23% in 1960.

Ordinary Life Insurance Premium Receipts

U.S. Life Insurance Companies *(000,000 Omitted)*

	First Year	Single	Renewal	Total
1969	$1,758	$ 784	$12,291	$14,833
1970	1,869	843	12,951	15,663
1971	1,985	955	13,627	16,567
1972	2,196	1,087	14,418	17,701
1973	2,380	1,033	15,345	18,758
1974	2,575	1,136	16,112	19,823
1975	2,705	1,244	17,083	21,032
1976	3,034	1,359	18,099	22,492
1977	3,314	1,482	19,365	24,161
1978	3,668	1,730	20,943	26,341
1979	4,019	1,851	22,100	27,970

Note: Credit life premiums were included in data for 1969-1972. Beginning with 1973, credit life insurance premiums on loans of ten years' or less duration are excluded.

Source: American Council of Life Insurance. Premium information on a slightly different basis was collected for the years 1957-1968 by the Life Insurance Marketing and Research Association.

Premium Receipts of U.S. Life Insurance Companies by State *(000,000 Omitted)*

	1977		1978		1979	
	Life	Health	Life	Health	Life	Health
Alabama	$ 547	$ 342	$ 599	$ 390	$ 634	$ 424
Alaska	47	49	52	44	54	44
Arizona	345	317	380	353	376	402
Arkansas	211	166	228	184	244	185
California	2,728	2,648	2,957	2,901	3,216	3,165
Colorado	394	272	435	308	492	352
Connecticut	526	391	553	457	607	465
Delaware	110	55	117	60	132	70
D.C.	136	142	138	148	163	171
Florida	1,179	1,008	1,289	1,130	1,419	1,235
Georgia	785	657	838	718	898	740
Hawaii	150	40	159	47	174	53
Idaho	106	80	117	82	125	83
Illinois	1,886	1,605	2,017	1,770	2,128	1,980
Indiana	807	658	859	701	908	745
Iowa	464	296	497	319	545	354
Kansas	351	205	376	227	402	249
Kentucky	406	251	430	282	462	305
Louisiana	553	396	628	449	688	517
Maine	125	84	133	90	145	105
Maryland	624	332	657	365	689	378
Massachusetts	778	541	807	528	869	544
Michigan	1,225	1,057	1,301	1,164	1,380	1,285
Minnesota	526	502	565	519	599	543
Mississippi	244	237	273	271	299	289
Missouri	696	582	739	621	792	688
Montana	94	74	102	82	109	86
Nebraska	251	174	278	196	305	224
Nevada	85	109	108	124	112	133
New Hampshire	114	62	123	66	134	75
New Jersey	1,258	693	1,362	776	1,373	827
New Mexico	139	119	155	128	172	139
New York	2,704	1,719	2,862	1,857	2,979	1,994
North Carolina	753	532	826	567	910	636
North Dakota	87	44	93	50	100	58
Ohio	1,672	1,234	1,756	1,314	1,842	1,414
Oklahoma	354	274	386	300	426	338
Oregon	281	245	308	262	337	269
Pennsylvania	1,762	965	1,864	1,045	1,966	1,087
Rhode Island	152	42	158	48	167	49
South Carolina	391	272	425	292	465	314
South Dakota	91	76	99	85	108	91
Tennessee	609	482	659	505	707	539
Texas	1,758	1,575	1,950	1,849	2,120	2,065
Utah	153	103	164	118	182	138
Vermont	61	41	65	45	70	47
Virginia	748	430	810	475	854	482
Washington	433	309	479	334	525	348
West Virginia	216	169	232	190	250	216
Wisconsin	614	472	655	501	702	582
Wyoming	55	39	62	47	66	55
TOTAL U.S.	$30,784	$23,167	$33,125	$25,384	$35,421	$27,577

Source: American Council of Life Insurance.

Earning Rate

The net rate of investment income on invested assets of life insurance companies rose to 7.73% in 1979 from 7.31% in 1978. This rate is an annual average based on aggregates of all U.S. life insurance companies after investment expenses but before Federal income taxes.

Investment income is primarily interest income on bonds owned and loans made, dividends on stock and rent on real estate owned. Capital gains and losses are treated as direct changes in surplus and are not considered as investment income.

Life insurance companies' rates of investment income have followed the general pattern of higher interest rates since 1947. Companies have also been putting a growing share of their assets into investments that provide higher yields.

Many life companies maintain separate investment accounts for various life insurance and retirement plans. At year-end 1979, 50% of the investments in these separate accounts were holdings of common stocks. The 1979 earning rate includes investment earnings of separate accounts but not their capital gains and losses. (Capital gains and losses are included in the calculation of the separate account earning rate in the statutory annual statement, but are excluded here for consistency with the general account rate.) If separate accounts were excluded, the rate would be 7.78%, indicating the lower income on equity-type investments. Life companies do not hold these investments primarily for current income but for capital appreciation.

Net Rate of Investment Income

U.S. Life Insurance Companies

Year	Rate	Year	Rate
1915	4.77%	1940	3.45%
1920	4.83	1945	3.11
1925	5.11	1950	3.13
1930	5.05	1955	3.51
1935	3.70	1960	4.11

	Rate			Rate	
	Including Separate Accounts	Excluding Separate Accounts		Including Separate Accounts	Excluding Separate Accounts
1965	4.61%	4.61%	1973	5.88%	6.00%
1966	4.73	4.73	1974	6.25	6.31
1967	4.82	4.83	1975	6.36	6.44
1968	4.95	4.97	1976	6.55	6.68
1969	5.12	5.15	1977	6.89	7.00
1970	5.30	5.34	1978	7.31	7.39
1971	5.44	5.52	1979	7.73	7.78
1972	5.56	5.69			

Note: The net rate of investment income is calculated using industry aggregates, and represents the ratio of (1) net investment income to (2) mean invested assets (including cash) less half the net investment income. Before 1940, some Federal income taxes were deducted from net investment income; beginning with 1940, the rates are calculated before deducting any Federal income taxes.

Source: American Council of Life Insurance.

THE LIFE INSURANCE DOLLAR

The financial transactions of life insurance companies may be best summarized if expressed in terms of a single dollar of income received and expended. This composite dollar represents the total for the business as a whole, and the pattern will be different for individual companies or groups of companies, depending on types of business written, age and type of company and many other factors.

The major proportion of each composite dollar of income received by U.S. life insurance companies is accounted for by premiums and annuity considerations. In 1979 premiums paid for life and health insurance policies and payments for annuities accounted for 73.8 cents. The remainder of the composite dollar consisted chiefly of earnings on investments and accounted for 26.2 cents.

These proportions vary significantly by each line of business. The major share for all lines comes from premiums, but for the life insurance and annuity lines a large proportion comes from investment earnings. Data for 1975 (the latest year for which information is available) show that investment earnings accounted for 27.2 cents of each life insurance income dollar and 31.4 cents of each annuity income dollar.

The proportions of premium income and investment earnings vary significantly by type of life insurance company. For mutual companies the

Life Insurance Company Dollar 1979

U.S. Life Insurance Companies

INCOME	
Premiums	73.8¢
Net Investment Earnings and Other Income	26.2
	100.0¢
HOW USED	
Benefit Payments and Additions to Funds for Policyholders and Beneficiaries	
Benefit Payments in Year	48.5¢
Additions to Policy Reserve Funds	27.2
Additions to Special Reserves and Surplus Funds	2.9
	78.6
Operating Expenses	
Commissions to Agents	6.2
Home and Field Office Expenses	9.5
	15.7
Taxes	4.4
Dividends to Stockholders of Stock Life Insurance Companies	1.3*
	100.0¢

Note: Certain offsetting items such as considerations for supplementary contracts are excluded, so that the total used ($114,181 million) differs from that shown on page 56. Direct investment taxes (such as real estate) are excluded from taxes and are deducted, with other investment expenses, from investment income. Federal income taxes, however, are included in taxes.

*For stock companies only this ratio would be 2.6¢ per dollar.

Source: American Council of Life Insurance.

proportion of the company dollar represented by insurance premiums and annuity considerations was 69.0 cents in 1979 and investment earnings and other income accounted for 31.0 cents. For stock companies, insurance premiums and payments for annuities accounted for 78.7 cents of the combined company dollar, while the balance, chiefly investment earnings, represented 21.3 cents.

Portions of premium income and investment earnings also differ by size of company. Larger companies generally receive a greater share of their income dollar from investment income.

In 1979, mutual life insurance companies with $500 million or more in assets as of 1970, received 68.3 cents of their income dollar from premiums and 31.7 cents from investment earnings and other income; whereas mutual companies with under $500 million in assets as of 1970, received 76.7 cents from premiums and 23.3 cents from investments and other income.

For stock life insurance companies, the proportion of the 1979 income dollar represented by premiums and annuity considerations was 75.5 cents for companies with assets of $500 million or more as of 1970 and 81.6 cents for companies with under $500 million in assets as of 1970.

Of the 1979 industry outgo dollar, 78.6 cents was assigned to meet current or future obligations. That included 48.5 cents paid in benefits to policyholders or to beneficiaries during the year, 27.2 cents added to policy reserves for future benefit payments and 2.9 cents added to special reserves and surplus funds. Reflecting in part the dividend payments under participating policies, current benefits were 52.0 cents of the mutual company outgo dollar in 1979 compared with 44.9 cents of the stock company dollar.

The outgo dollar also varies by major line of business. For the life insurance line, one-half of the income in 1975 (the latest year for which data are available) was needed for benefits and one-fifth was added to reserves. The annuity line set aside two-thirds for reserves, while the health line needed three-fourths of income to meet current obligations and pay policy dividends.

Operating expenses based on industry aggregates remained unchanged from the previous year at 15.7 cents. This is slightly lower than the proportion which had remained about the same for several decades, and reflects the expansion of the annuity field in the last four years. Annuities have lower sales expenses. Included in the 1979 figure were 9.5 cents for expenses of home and field offices and 6.2 cents for commissions to agents.

The expense share, as measured by this analysis, applies to the entire life insurance business, and not to any single company. The proportions vary widely among companies, depending on such factors as the types of coverage offered by a given company and its ratio of recently issued insurance to its total insurance in force. Expenses are relatively higher for new policies because the initial costs of issuing and selling a policy are higher than those of maintaining older policies.

A total of 4.4 cents was used for taxes (not including taxes directly connected with investment, such as real estate taxes). More than half of this total was set aside for Federal income taxes. On an overall dollar basis, stock dividends to shareholders amounted to 1.3 cents. For mutual life insurance companies, of course, this amounted to zero; for stock life companies, dividends to shareholders amounted to 2.6 cents of the outgo dollar.

TAXES

U.S. life insurance companies incurred Federal, state and local government taxes, licenses and fees of $5.4 billion on their 1979 operations. This was $356 million more than in the previous year. Most of the taxes incurred on life company operations in 1979 were also paid in that year, but some were carried over to 1980. The increase in tax liability of the life insurance business over the years is largely a reflection of the growth of the industry.

Federal income taxes, based on total income from investment earnings and general operations, were the major portion of total taxes incurred in 1979. Federal income taxes increased sharply under the Life Insurance Company Income Tax Act of 1959, which first applied to the year 1958. Federal income taxes incurred on 1957 operations were $294 million, and on 1958 operations, $455 million. By 1979 Federal income taxes had grown to $3.3 billion, some 60% of total taxes.

The second largest item in the life companies' tax bill consisted of state premium taxes, which amounted to $1.1 billion for 1979 or 21% of all tax items for the year.

The life insurance companies' share of Social Security taxes rose to $449 million in 1979, and accounted for 8% of the total. Real estate taxes amounted to $255 million, or 5%. Other taxes, licenses and fees accounted for 6% of the total, amounting to $330 million.

Taxes, Licenses and Fees of U.S. Life Insurance Companies *(000,000 Omitted)*

Year	State Taxes on Premiums	Federal Social Security Taxes	Federal Income Taxes	Real Estate Taxes	Other Taxes, Licenses and Fees	Total
1947	$ 100	$ 7	$ 23	$ 17	$ 20	$ 167
1950	123	12	20	27	23	205
1955	189	26	189	39	29	472
1960	270	53	479	68	50	920
1965	396	77	741	98	63	1,375
1966	424	106	883	103	65	1,581
1967	438	117	1,040	110	66	1,771
1968	464	131	1,174	121	70	1,960
1969	541	148	1,237	132	75	2,133
1970	568	159	1,232	149	96	2,204
1971	660	178	1,451	172	121	2,582
1972	708	198	1,544	198	142	2,790
1973	766	249	1,803	207	157	3,182
1974	785	280	1,915	224	174	3,378
1975	840	299	1,910	282	188	3,519
1976	914	321	2,209	291	219	3,954
1977	1,000	345	2,526	312	248	4,431
1978	1,077	389	2,994	336	282	5,078
1979	1,131	449	3,269	255	330	5,434

Note: Before 1972, taxes, licenses and fees shown are on a paid basis. Beginning with 1972, these items are on an incurred basis.

Source: American Council of Life Insurance.

RESERVES AND OTHER OBLIGATIONS

Policy reserves of U.S. life insurance companies totaled $351.6 billion at the end of 1979. These reserves represent the funds set aside to meet the companies' future obligations to policyholders and their beneficiaries.

Each company is required by state law to maintain its policy reserves at a level that will assure payment of all policy obligations as they fall due. The amount is calculated on an actuarial basis, taking into account the funds forthcoming from future premium payments, assumed future interest earnings and expected mortality experience.

Total reserves of the life companies at the end of 1979 included over $188.2 billion for life insurance policies, $10.4 billion for health insurance policies and $153.0 billion for annuities and supplementary contracts involving both lifetime payments and payments that are for specified periods or in designated amounts.

Life insurance policy reserves consisted of $166.1 billion for ordinary life policies, over $8.1 billion for group policies, $12.7 billion for industrial life policies, and $1.3 billion for credit life policies.

Policy Reserves

U.S. Life Insurance Companies *(000,000 Omitted)*

Year	Amount	Year	Amount	Year	Amount	Year	Amount
1890	$ 670	1910	$3,226	1925	$ 9,927	1940	$27,238
1900	1,443	1915	4,399	1930	16,231	1945	38,667
1905	2,295	1920	6,338	1935	20,404	1950	54,946

			Annuities				
Year	Life Insurance	Health Insurance	Individual	Group	Supplementary Contracts With Life Contingencies	Supplementary Contracts Without Life Contingencies	Total
1955	$ 54,588	$ 575	*	$ 13,216	$1,895	$5,085	$ 75,359
1960	70,791	865	$ 4,327	14,952	2,674	4,864	98,473
1965	90,795	1,432	5,028	22,187	3,281	4,897	127,620
1966	95,316	1,836	5,340	24,029	3,381	4,809	134,711
1967	100,103	2,144	5,746	26,193	3,483	4,749	142,418
1968	104,910	2,472	6,264	28,434	3,610	4,618	150,308
1969	110,041	2,879	6,348	31,213	3,665	4,404	158,550
1970	115,442	3,474	6,951	34,009	3,726	4,177	167,779
1971	121,585	3,892	7,655	38,476	3,905	4,136	179,649
1972	128,257	4,347	8,560	43,503	3,937	4,155	192,759
1973	135,292	4,910	9,482	46,607	4,066	4,164	204,521
1974	142,273	5,607	10,511	49,861	4,176	4,079	216,507
1975	150,063	6,293	12,442	59,907	4,280	4,131	237,116
1976	158,359	6,962	15,347	73,393	4,410	4,304	262,775
1977	167,281	8,329	18,932	84,285	4,563	4,542	287,932
1978	177,743	9,596	23,057	98,673	4,751	4,663	318,483
1979	188,177	10,416	27,103	116,443	4,985	4,513	351,637

Note: Before 1947, the business of health departments of life companies was not included in this series.

*Included with "Group Annuities."

Sources: Spectator Year Book *and American Council of Life Insurance.*

Annuity reserves consisted of $27.1 billion for individual annuities, $116.4 billion for group annuities and $5.0 billion for life annuities under supplementary contracts with life contingencies.

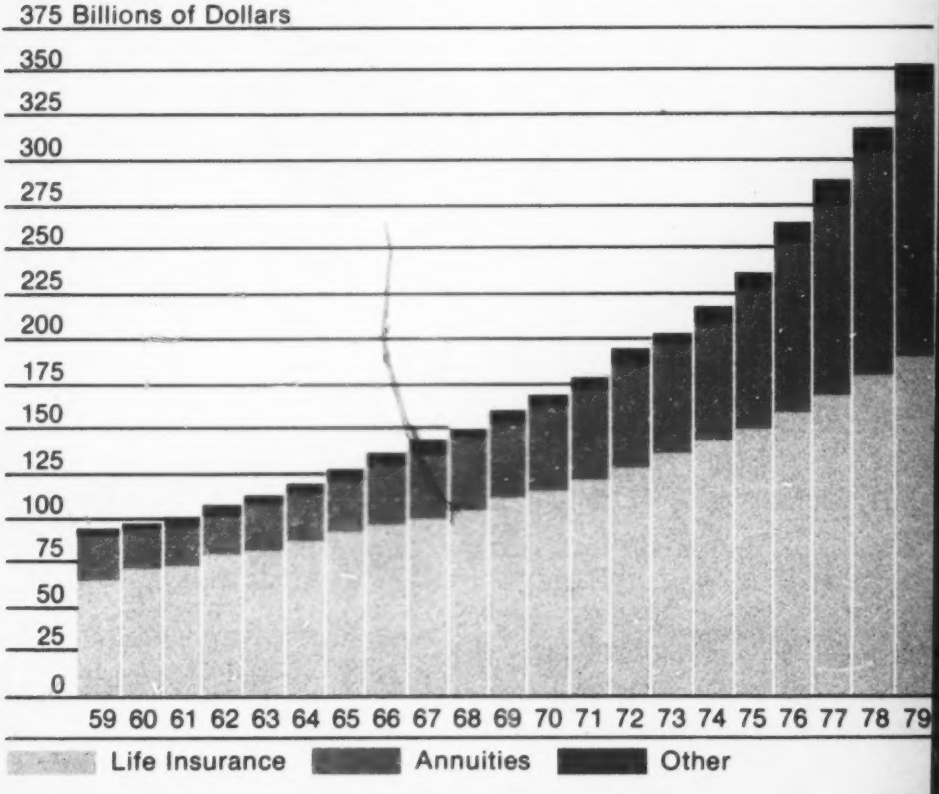
The composition of life company policy reserves has been changing over the years, reflecting a shift in the basic types of business done by life companies. Life insurance policy reserves still account for the major proportion, but it is declining in relation to the proportion of reserves set aside for annuity contracts. In 1960, life insurance reserves were 72% of the total. By 1970, the proportion was 69%, and, by 1979, it had dropped to 54%. In the same period, annuity reserves increased from 22% in 1960 to 27% in 1970 and to 42% at the end of 1979. Most of the increase in annuity reserves is a result of the growth of pension plans administered by life insurance companies.

In addition to policy reserves, other funds of U.S. life insurance companies at the end of 1979 included $12.1 billion in accumulated policy dividends left with the life insurance companies at interest; some $7.2 billion set aside for the following year's policy dividend payments; and $31.4 billion for other obligations such as incurred expenses, mandatory reserves for fluctuations in security values and insurance premiums paid in advance.

Included in reserves and obligations at the end of 1979 was $25.5 billion in separate investment accounts, used for certain types of pension plans and for variable annuities.

Growth of Policy Reserves

U.S. Life Insurance Companies



Surplus funds amounted over $28.0 billion at the end of 1979. These funds provided extra safeguards for such contingencies as an unexpected rise in death rates among policyholders, for unusual changes in the value of securities, or as general protection for policy obligations. The amount of surplus retained by a life company depends on several factors including the size of the company, kinds of insurance written, mortality experience, general business conditions and government regulation.

Total capital of life insurance companies owned by stockholders was nearly $2.0 billion at the end of 1979. This amount represents the total par value of the shares of the companies' capital stock.

Stock life companies accounted for $132.0 billion, or 38% of the total reserves of all U.S. life insurance companies in 1979. Reserves of mutual life companies amounted to $219.6 billion, or 62% of the total.

Life Insurance Policy Reserves by Type

U.S. Life Insurance Companies *(000,000 Omitted)*

Year	Ordinary	Group	Industrial	Credit	Total
1956	$ 47,429	$ 787	$ 9,446	—	$ 57,662
1960	58,897	1,267	10,627	—	70,791
1965	76,865	2,011	11,919	—	90,795
1966	81,018	2,166	12,132	—	95,316
1967	85,810	2,362	11,931	—	100,103
1968	90,284	2,594	12,032	—	104,910
1969	95,032	2,836	12,173	—	110,041
1970	100,076	3,093	12,273	—	115,442
1971	105,782	3,429	12,374	—	121,585
1972	111,931	3,957	12,369	—	128,257
1973	118,332	3,985	12,374	$ 601	135,292
1974	124,883	4,453	12,284	653	142,273
1975	132,032	4,995	12,336	700	150,063
1976	139,356	5,648	12,635	720	158,359
1977	147,414	6,415	12,624	828	167,281
1978	156,862	7,219	12,627	1,035	177,743
1979	166,106	8,132	12,682	1,257	188,177

Note: "Credit" life insurance is limited to insurance on loans of ten years' or less duration. Prior to 1973, all credit insurance was included in the "Ordinary" and "Group" categories.

Source: American Council of Life Insurance.

Obligations and Surplus Funds

U.S. Life Insurance Companies *(000,000 Omitted)*

Year	Policy Reserves	Policy Dividend Accumulations	Funds Set Aside for Policy Dividends	Other Obligations	Surplus Funds	Capital (Stock Companies)	Total
1952	$ 62,579	$ 1,675	$ 841	$ 3,024	$ 4,884	$ 372	$ 73,375
1955	75,359	2,239	1,201	4,625	6,475	533	90,432
1960	98,473	3,381	1,780	6,268	8,827	847	119,576
1965	127,620	4,326	2,647	10,455	12,468	1,368	158,884
1966	134,711	4,602	2,875	10,351	13,452	1,464	167,455
1967	142,418	4,877	3,064	11,725	14,239	1,509	177,832
1968	150,308	5,275	3,204	13,017	15,213	1,619	188,636
1969	158,550	5,662	3,372	12,570	15,395	1,659	197,208
1970	167,779	6,068	3,540	12,544	15,651	1,672	207,254
1971	179,649	6,530	3,720	14,364	16,150	1,689	222,102
1972	192,759	7,031	4,030	16,955	17,231	1,724	239,730
1973	204,521	7,552	4,384	16,085	17,995	1,899	252,436
1974	216,507	8,080	4,604	15,517	16,730	1,911	263,349
1975	237,116	8,814	4,875	17,936	18,635	1,928	289,304
1976	262,775	9,633	5,252	21,881	20,077	1,934	321,552
1977	287,932	10,427	5,839	23,907	21,669	1,948	351,722
1978	318,483	11,319	6,380	27,495	24,285	1,962	389,924
1979	351,637	12,112	7,158	31,372	28,023	1,980	432,282

Source: American Council of Life Insurance.

LIFE INSURANCE ASSETS

Assets of U.S. life insurance companies totaled $432.3 billion at the end of 1979, an increase of 10.9% during the year. This was the same percentage increase as in 1978, and compares with an annual average of about 8% during the first eight years of the 1970s.

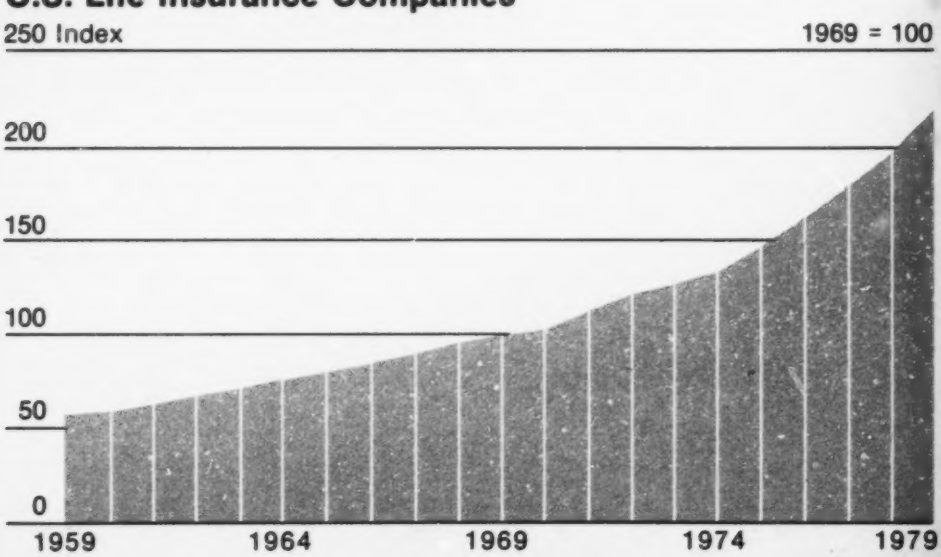
The growth in assets in 1979 was a result of the substantial inflows of $38.9 billion in new funds and a net gain of $3.4 billion in the valuation of assets previously held. By comparison, new funds in 1978 amounted to $36.8 billion. The rapid expansion of the group and individual annuity business in recent years has been a major factor contributing to recent asset growth. Also contributing to asset growth in 1979 was further improvement in investment income.

Assets of life insurance companies, largely comprised of financial instruments, are used to back life insurance and annuity reserves and have been primarily built up from policyholders' premiums and investment earnings. Investments of life companies are an important source of capital in America's economy. Net investments in U.S. capital markets by life insurance companies totaled $33.8 billion in 1979. Life insurance ranked third among private domestic institutional sources of funds, supplying 7.2% of the total funds flowing into financial markets.

The largest component of life company assets in 1979 was corporate debt issues. Holdings of corporate debt increased from $156.0 billion to $169.0 billion, or 39.1% of total assets, by year-end 1979.

Mortgages, the second largest component of life insurance company assets, increased from $106.2 billion to $118.4 billion during 1979. As a proportion of total assets these holdings increased from 27.2% in 1978 to 27.4% in 1979, reversing the decline from the peak of 38.6% in 1966.

Relative Growth in Assets of U.S. Life Insurance Companies



Distribution of Assets of U.S. Life Insurance Companies

Amount *(000,000 Omitted)*

Year	Government Securities	Corporate Securities: Bonds	Corporate Securities: Stocks	Mortgages	Real Estate	Policy Loans	Misc. Assets	Total
1917	$ 562	$ 1,975	$ 83	$ 2,021	$ 179	$ 810	$ 311	$ 5,941
1920	1,349	1,949	75	2,442	172	859	474	7,320
1925	1,311	3,022	81	4,808	266	1,446	604	11,538
1930	1,502	4,929	519	7,598	548	2,807	977	18,880
1935	4,727	5,314	583	5,357	1,990	3,540	1,705	23,216
1940	8,447	8,645	605	5,972	2,065	3,091	1,977	30,802
1945	22,545	10,060	999	6,636	857	1,962	1,738	44,797
1950	16,118	23,248	2,103	16,102	1,445	2,413	2,591	64,020
1955	11,829	35,912	3,633	29,445	2,581	3,290	3,742	90,432
1960	11,815	46,740	4,981	41,771	3,765	5,231	5,273	119,576
1965	11,908	58,244	9,126	60,013	4,681	7,678	7,234	158,884
1966	11,396	60,819	8,832	64,609	4,885	9,117	7,797	167,455
1967	11,079	64,687	10,877	67,516	5,187	10,059	8,427	177,832
1968	11,096	68,310	13,230	69,973	5,571	11,306	9,150	188,636
1969	10,914	70,859	13,707	72,027	5,912	13,825	9,964	197,208
1970	11,068	73,098	15,420	74,375	6,320	16,064	10,909	207,254
1971	11,000	79,198	20,607	75,496	6,904	17,065	11,832	222,102
1972	11,372	86,140	26,845	76,948	7,295	18,003	13,127	239,730
1973	11,403	91,796	25,919	81,369	7,693	20,199	14,057	252,436
1974	11,965	96,652	21,920	86,234	8,331	22,862	15,385	263,349
1975	15,177	105,837	28,061	89,167	9,621	24,467	16,974	289,304
1976	20,260	120,666	34,262	91,552	10,476	25,834	18,502	321,552
1977	23,555	137,889	33,763	96,848	11,060	27,556	21,051	351,722
1978	26,552	156,044	35,518	106,167	11,764	30,146	23,733	389,924
1979	29,719	168,990	39,757	118,421	13,007	34,825	27,563	432,282
Percent								
1917	9.6%	33.2%	1.4%	34.0%	3.0%	13.6%	5.2%	100.0%
1920	18.4	26.7	1.0	33.4	2.3	11.7	6.5	100.0
1925	11.3	26.2	.7	41.7	2.3	12.5	5.3	100.0
1930	8.0	26.0	2.8	40.2	2.9	14.9	5.2	100.0
1935	20.4	22.9	2.5	23.1	8.6	15.2	7.3	100.0
1940	27.5	28.1	2.0	19.4	6.7	10.0	6.3	100.0
1945	50.3	22.5	2.2	14.8	1.9	4.4	3.9	100.0
1950	25.2	36.3	3.3	25.1	2.2	3.8	4.1	100.0
1955	13.1	39.7	4.0	32.6	2.9	3.6	4.1	100.0
1960	9.9	39.1	4.2	34.9	3.1	4.4	4.4	100.0
1965	7.5	36.7	5.7	37.8	3.0	4.8	4.5	100.0
1966	6.8	36.3	5.3	38.6	2.9	5.5	4.6	100.0
1967	6.2	36.4	6.1	38.0	2.9	5.7	4.7	100.0
1968	5.9	36.2	7.0	37.1	3.0	6.0	4.8	100.0
1969	5.5	36.0	6.9	36.6	3.0	7.0	5.0	100.0
1970	5.3	35.3	7.4	35.9	3.0	7.8	5.3	100.0
1971	4.9	35.7	9.3	34.0	3.1	7.7	5.3	100.0
1972	4.8	35.9	11.2	32.1	3.0	7.5	5.5	100.0
1973	4.5	36.4	10.3	32.2	3.0	8.0	5.6	100.0
1974	4.5	36.7	8.3	32.8	3.2	8.7	5.8	100.0
1975	5.2	36.6	9.7	30.8	3.3	8.5	5.9	100.0
1976	6.3	37.5	10.7	28.5	3.3	8.0	5.7	100.0
1977	6.7	39.2	9.6	27.5	3.2	7.8	6.0	100.0
1978	6.8	40.0	9.1	27.2	3.0	7.8	6.1	100.0
1979	6.9	39.1	9.2	27.4	3.0	8.1	6.3	100.0

Note: Beginning with 1962, these data include the assets of separate accounts. For detail on separate accounts, see page 88. Data for 1978 are revised.

Sources: Spectator Year Book *and American Council of Life Insurance.*

Corporate stock holdings amounted to $39.8 billion, or 9.2% of total assets, and included $28.2 billion of common stocks and $11.6 billion of preferred stocks. All of the increase in common stock holdings was due to an increase in valuation.

Assets of U.S. Life Insurance Companies

(000,000 Omitted)

Year	Amount	Year	Amount	Year	Amount	Year	Amount
1890	$ 771	1925	$11,538	1944	$ 41,054	1962	$133,291
1895	1,160	1926	12,940	1945	44,797	1963	141,121
1900	1,742	1927	14,392	1946	48,191	1964	149,470
1905	2,706	1928	15,961	1947	51,743	1965	158,884
1910	3,876	1929	17,482	1948	55,512	1966	167,455
1911	4,164	1930	18,880	1949	59,630	1967	177,832
1912	4,409	1931	20,160	1950	64,020	1968	188,636
1913	4,659	1932	20,754	1951	68,278	1969	197,208
1914	4,935	1933	20,896	1952	73,375	1970	207,254
1915	5,190	1934	21,844	1953	78,533	1971	222,102
1916	5,537	1935	23,216	1954	84,486	1972	239,730
1917	5,941	1936	24,874	1955	90,432	1973	252,436
1918	6,475	1937	26,249	1956	96,011	1974	263,349
1919	6,791	1938	27,755	1957	101,309	1975	289,304
1920	7,320	1939	29,243	1958	107,580	1976	321,552
1921	7,936	1940	30,802	1959	113,650	1977	351,722
1922	8,652	1941	32,731	1960	119,576	1978	389,924
1923	9,455	1942	34,931	1961	126,816	1979	432,282
1924	10,394	1943	37,766				

Note: Beginning with 1962, these data include the assets of separate accounts. For detail on separate accounts, see page 88.

Sources: Spectator Year Book *and American Council of Life Insurance.*

Sources of Funds in the United States Money and Capital Markets (In Billions of Dollars)

	1967	1975	1976	1977	1978	1979*
Life Insurance Companies	$ 8.4	$19.0	$26.4	$29.2	$33.4	$33.8
Private Non-Life Insurance Company Pension Plans	5.5	12.8	10.9	15.7	13.9	22.0
State and Local Retirement Funds	4.0	11.6	13.1	15.5	18.8	18.2
Savings and Loan Associations	9.1	37.3	51.6	63.5	58.7	46.6
Mutual Savings Banks	5.4	10.9	12.7	11.5	8.6	5.2
Commercial Banking	37.4	31.5	66.3	89.9	125.9	120.3
Federal Reserve Banks	4.8	8.5	9.8	7.1	7.0	7.7
Federal Loan Agencies	5.5	33.9	31.6	34.5	52.5	71.1
Nonfinancial Corporations	2.1	13.6	19.3	13.9	21.4	33.1
Fire and Casualty Companies	1.6	5.6	13.4	18.7	18.0	18.9
Real Estate Investment Trusts	—	-4.9	-3.7	-2.4	-1.0	-0.3
Mutual Funds	1.4	0.3	-0.8	-1.5	1.8	17.0
Foreigners	2.7	10.9	18.0	42.1	40.2	-6.1
Individuals and Others	-3.3	34.8	33.7	50.6	64.3	82.9
Total	$84.6	$226.8	$302.3	$388.3	$463.5	$470.4

Note: Data are revised. Details may not add to totals due to rounding.

*Preliminary.

Source: American Council of Life Insurance.

New Investments

Acquisitions of investments by U.S. life insurance companies reached a record high of $270.4 billion in 1979, an increase of $35.4 billion, or 15.1%, over 1978. The increase stemmed largely from short-term debt transactions. Longer-term investment acquisitions were up $3.9 billion from 1978, or 5.6%.

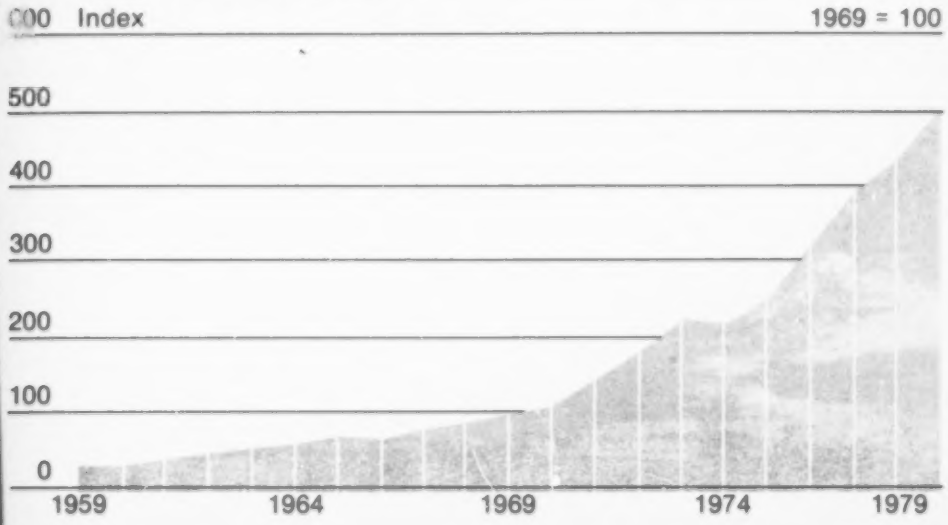
Total acquisitions were six times as large as the net increase in total assets, largely because of short-term securities purchases, but also because of the reinvestment of funds generated by repayments and sales of existing investments. Purchases of short-term securities, in which large amounts of funds are reinvested many times in a single year, amounted to $197.7 billion, $31.5 billion above the 1978 volume. These temporary investments accounted for 73.1% of total acquisitions in 1979, somewhat more than the proportion in other recent years. The major portion of short-term acquisitions was accounted for by corporate debt issues, which amounted to $163.0 billion; the remaining $34.7 billion represented government issues.

Of the $72.6 billion of longer-term acquisitions, $38.9 billion was traceable to the net increase in assets (adjusted to exclude changes in valuation of existing assets). About $32 billion represented funds available for reinvestment from repayments of existing investments, such as bond maturities, calls, mortgage amortizations and prepayments and sales of holdings. The balance of acquisitions represented exchanges and refinancings.

New longer-term investments of life insurance companies come under six broad categories. Corporate bonds are a major outlet for investment funds, accounting for 31.9% of longer-term acquisitions in 1979. Mortgages represented 28.5% of the total. Next in order were corporate stocks, policy loans, government securities and real estate. Acquisitions of longer-term corporate bonds were less in 1979 than in 1978, while the other five categories increased over 1978.

Relative Growth in Acquisitions of Investments

U.S. Life Insurance Companies



Longer-term corporate bond acquisitions amounted to $23.2 billion in 1979, $4.8 billion, or 17.3%, less than the $28.0 billion in the previous year. Corporate bond acquisitions decreased to 11.9% of total longer-term acquisitions in 1979 from 40.7% in 1978 and 45.3% in 1977. Acquisitions of longer-term domestic corporate bonds amounted to $22.6 billion and foreign corporate bonds came to $534 million in 1979. The former category decreased 15.6% from 1978 while the latter decreased 55.5%.

Mortgages accounted for $20.7 billion of life company investment acquisitions in 1979, $2.9 billion, or 16.2%, more than in 1978. Mortgage loans increased to 28.5% of total life company longer-term acquisitions in 1979, from 25.9% in 1978 and a 21.3% share in 1977.

Acquisitions of Investments

U.S. Life Insurance Companies *(000,000 Omitted)*

Year	Government Securities	Corporate Securities		Mortgages	Real Estate	Policy Loans	Total
		Bonds	Stocks				
1947	$1,710	$ 4,248	$ 307	$ 2,786	$219	$ 327	$ 9,597
1948	2,262	4,800	181	3,407	278	414	11,342
1949	1,065	3,674	251	3,440	264	478	9,172
1950	2,399	3,700	470	4,894	257	521	12,241
1951	7,691	4,379	278	5,134	273	535	18,290
1952	4,610	5,151	194	3,978	335	504	14,772
1953	3,939	4,631	233	4,345	205	579	13,932
1954	5,549	5,157	552	5,344	388	661	17,651
1955	6,176	4,687	392	6,614	371	669	18,909
1956	4,794	5,305	291	6,715	360	744	18,209
1957	3,833	6,044	294	5,230	458	916	16,775
1958	5,625	5,799	365	5,277	463	1,008	18,537
1959	5,613	6,313	514	5,975	446	1,156	20,022
1960	5,011	6,886	655	6,083	299	1,420	20,354
1961	6,478	9,113	918	6,785	429	1,427	25,150
1962	6,824	11,654	766	7,478	363	1,473	28,558
1963	6,018	14,200	788	9,172	485	1,504	32,167
1964	4,979	15,419	1,066	10,433	488	1,574	33,959
1965	4,273	20,428	1,463	11,137	448	1,702	39,451
1966	3,837	18,452	1,326	10,217	510	2,613	36,955
1967	3,949	25,930	2,065	8,470	668	2,365	43,447
1968	5,570	27,601	3,318	7,925	815	2,741	47,970

Year	Government Securities		Corporate Securities						
			Bonds						
	Short-Term	Total	Short-Term	Total	Stocks	Mortgages	Real Estate	Policy Loans	Total
1969	$ 3,262	$ 4,655	$ 25,096	$ 31,883	$ 4,099	$ 7,531	$ 794	$4,118	$ 53,080
1970	3,816	4,612	34,597	41,405	4,086	7,181	859	4,149	62,292
1971	5,376	7,011	41,790	53,517	6,785	7,573	1,035	3,400	79,321
1972	7,385	8,989	53,983	68,240	8,468	8,696	976	3,252	98,621
1973	6,905	8,290	74,318	87,059	8,198	11,463	1,177	4,602	120,789
1974	6,153	7,609	75,390	86,656	4,832	11,339	1,294	5,332	117,062
1975	9,949	13,644	79,967	96,534	5,955	9,595	2,115	4,600	132,443
1976	23,066	30,315	96,440	120,442	7,691	9,801	1,814	4,826	174,889
1977	27,410	34,908	116,931	147,114	7,588	14,176	2,059	5,115	210,960
1978	29,363	35,805	136,860	164,866	8,015	17,799	2,234	6,260	234,979
1979	34,700	41,566	163,025	186,195	10,374	20,689	2,793	8,739	270,356

Note: Data for 1978 are revised.

Source: American Council of Life Insurance.

Included in the mortgage loan total were $17.1 billion of nonfarm conventional loans, $2.8 billion of farm mortgages, and $744 million of government-backed mortgages. Nonfarm conventional mortgages, which accounted for 82.8% of total mortgage acquisitions in 1979, increased $2.6 billion from 1978, and the other two categories were also larger than in 1978. Loans on nonresidential properties, such as office buildings, shopping centers, manufacturing plants and warehouses, continued to dominate the nonfarm conventional mortgage total, but acquisitions of mortgages on one-to-four family homes accelerated rapidly in 1979. Acquisitions of conventionally financed one-to-four family mortgages were 2.1 times the 1978 amount.

Corporate stock acquisitions increased $2.4 billion during 1979 to $10.4 billion. Common stock acquisitions, including those acquired for separate accounts, amounted to $8.4 billion, and preferred stock acquisitions were $2.0 billion. Despite an increase over 1978 in common stock acquisitions, disposals of common stocks of $8.9 billion during 1979 were even larger than acquisitions. Dispositions of preferred stocks amounted to $868 million during 1979.

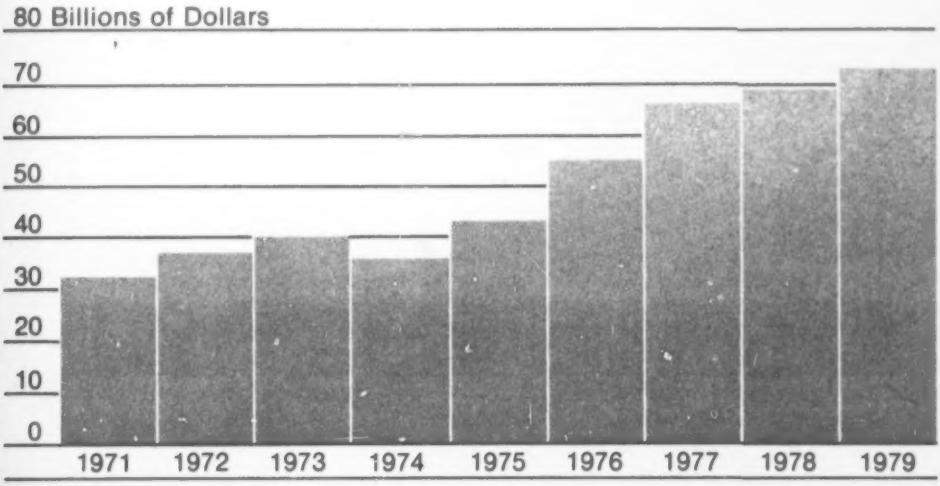
Acquisitions of long-term government securities totaled $6.9 billion in 1979, $424 million more than in 1978. Although acquisitions of U.S. Treasury and Federal agency securities increased over 1978, other categories of government bonds decreased. Foreign government and international agency bonds of $841 million dropped 15.4%, and state and local government longer-term issues of $927 million decreased 23.1% from 1978.

Policy loans made by life insurance companies during 1979 amounted to $8.7 billion, up $2.5 billion from 1978. As a share of total longer-term acquisitions, policy loans increased to 12.0% in 1979, the highest ratio since 1974, when policy loan acquisitions accounted for 15.0% of total longer-term acquisitions.

Real estate accounted for $2.8 billion of life insurance company investment acquisitions, $559 million, or 25.0%, more than in 1978.

Acquisitions of Longer-Term Investments

U.S. Life Insurance Companies



Acquisitions and Change In Holdings of Investments

U.S. Life Insurance Companies *(000,000 Omitted)*

Type of Investment	1978 Acquired in Year	1978 Held at Year-end	1978 Change in Holdings in Year	1979 Acquired in Year	1979 Held at Year-end	1979 Change in Holdings in Year
GOVERNMENT SECURITIES						
Short Term: 1 Year or Less						
U.S. Treasury	$ 24,050	$ 442	$- 132	$ 25,189	$ 412	$- 30
U.S. Federal Agency	4,613	113	+ 54	8,624	187	+ 74
U.S. State and Local	63	15	+ 10	54	14	- 1
Foreign Government and International Agency	637	86	+ 70	833	96	+ 10
	29,363	656	+ 2	34,700	709	+ 53
Other: Over 1 Year						
U.S. Treasury	1,173	4,380	- 361	1,413	4,476	+ 96
U.S. Federal Agency	3,069	6,430	+ 2,487	3,685	9,194	+ 2,764
U.S. State and Local	1,206	6,387	+ 341	927	6,414	+ 27
Foreign Government and International Agency	994	8,699	+ 528	841	8,926	+ 227
	6,442	25,896	+ 2,995	6,866	29,010	+ 3,114
Total Government Securities	35,805	26,552	+ 2,997	41,566	29,719	+ 3,167
CORPORATE SECURITIES						
Bonds, Debentures and Notes						
Short Term: 1 Year or Less						
U.S.	122,053	5,668	+ 1,086	142,335	6,945	+ 1,277
Foreign	14,807	681	+ 367	20,690	1,012	+ 331
Other: Over 1 Year						
U.S.	26,807	141,450	+15,851	22,636	152,793	+11,343
Foreign	1,199	8,245	+ 851	534	8,240	- 5
	164,866	156,044	+18,155	186,195	168,990	+12,946
Stocks						
Common	6,307	24,986	+ 900	8,382	28,161	+ 3,175
Preferred	1,708	10,532	+ 855	1,992	11,596	+ 1,064
	8,015	35,518	+ 1,755	10,374	39,757	+ 4,239
Total Corporate Securities	172,881	191,562	+19,910	196,569	208,747	+17,185
MORTGAGES						
Farm	2,748	10,499	+ 1,657	2,806	12,184	+ 1,685
Nonfarm						
F.H.A.	268	6,109	- 482	471	5,807	- 302
N.H.A.	38	596	+ 5	22	565	- 31
V.A.	251	3,164	- 184	251	2,975	- 189
Conventional	14,494	85,799	+ 8,323	17,139	96,890	+11,091
Total Mortgages	17,799	106,167	+ 9,319	20,689	118,421	+12,254
REAL ESTATE	2,234	11,764	+ 704	2,793	13,007	+ 1,243
POLICY LOANS	6,260	30,146	+ 2,590	8,739	34,825	+ 4,679
CASH	XXX	2,367	+ 237	XXX	2,670	+ 303
OTHER ASSETS	XXX	21,366	+ 2,445	XXX	24,893	+ 3,527
TOTAL ASSETS	$234,979	$389,924	$+38,202	$270,356	$432,282	$+42,358

Note: Data for 1978 are revised.

Source: American Council of Life Insurance.

Government Securities

Government securities amounted to 6.9% of total assets of U.S. life insurance companies at year-end 1979.

These securities have been more attractive to life insurance companies in the last five years. Holdings of these investments amounted to $29.7 billion at the end of 1979, an increase of $3.2 billion, or 11.9%, during the year. This growth follows a 12.7% increase in 1978. Investments in issues of U.S. Federal agencies accounted for 89.6% of the increase during 1979.

The large increases in recent years have been in sharp contrast to smaller increments in prior years. As a proportion of total assets, holdings of U.S. government securities have decreased steeply since the end of World War II. Life insurance funds had been heavily channeled into government securities during the war, with holdings consisting mainly of Treasury notes and bonds.

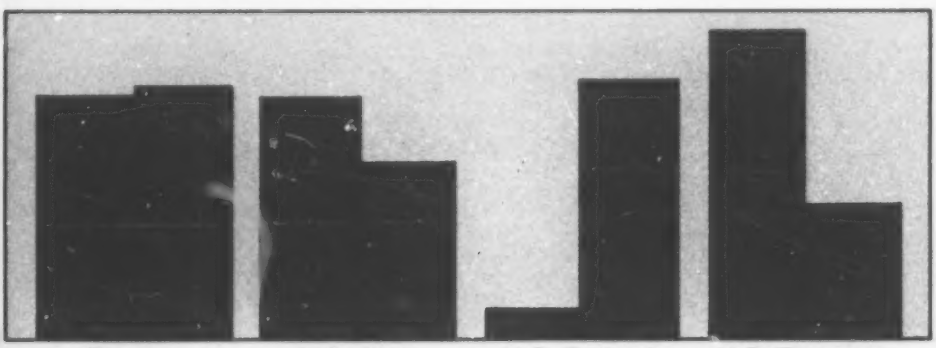
Securities of the United States government include U.S. Treasury securities and those of U.S. Federal agencies or those sponsored by the Federal government (such as the Federal National Mortgage Association and the Federal Home Loan Banks). Investments in these securities amounted to $14.3 billion at year-end 1979, an increase of $2.9 billion, or 25.6%, from year-end 1978. Short-term Treasury bills and certificates, purchased to keep funds at work until they are needed for longer-term investments, amounted to $412 million. Short-term Federal agency securities totaled $187 million. Holdings of short-term U.S. Treasury and Federal agency issues increased 7.9% and holdings of long-term securities of these agencies increased 26.5%.

U.S. state and local securities amounted to $6.4 billion at the end of 1979, about the same as last year. These holdings include guaranteed, special revenue and other issues of the 50 states, District of Columbia, Puerto Rico, and the territories and possessions of the United States and their political subdivisions.

In addition to the securities of governments in the United States, U.S. life companies had $9.0 billion invested in securities of the central and local

Distribution of Government Securities

U.S. Life Insurance Companies



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governments of Canada and other foreign countries, and in international agencies such as the International Bank for Reconstruction and Development (World Bank). Investment in Canada's central and local governments amounted to $7.1 billion. After Canada, the largest life insurance company holdings of foreign government bonds were those of Mexico, Israel, Japan and Sweden.

Government Securities

Owned by U.S. Life Insurance Companies *(000,000 Omitted)*

Year	United States				Foreign Government and International Agency	Total Amount	% of Assets
	Treasury	Federal Agency	State and Local	Total			
1917	$ 70	—	*	*	*	$ 562	9.6
1920	830	—	*	*	*	1,349	18.4
1925	627	—	*	*	*	1,311	11.3
1930	319	—	*	*	*	1,502	8.0
1935	2,853	—	$1,344	$ 4,197	$ 530	4,727	20.4
1940	5,767	—	2,082	7,849	598	8,447	27.5
1945	20,583	—	722	21,305	1,240	22,545	50.3
1946	21,629	—	614	22,243	1,332	23,575	48.9
1947	20,021	—	609	20,630	1,416	22,046	42.6
1948	16,746	—	872	17,618	1,517	19,135	34.5
1949	15,290	—	1,052	16,342	1,526	17,868	30.0
1950	13,459	—	1,152	14,611	1,507	16,118	25.2
1951	11,009	—	1,170	12,179	1,581	13,760	20.1
1952	10,252	—	1,153	11,405	1,500	12,905	17.6
1953	9,829	—	1,298	11,127	1,410	12,537	15.9
1954	9,070	—	1,846	10,916	1,346	12,262	14.5
1955	8,576	—	2,038	10,614	1,215	11,829	13.1
1956	7,555	—	2,273	9,828	1,239	11,067	11.5
1957	7,029	—	2,376	9,405	1,286	10,691	10.6
1958	7,183	†	2,681	9,864	1,371	11,235	10.5
1959	6,868	$ 72	3,200	10,140	1,520	11,660	10.3
1960	6,427	101	3,588	10,116	1,699	11,815	9.9
1961	6,134	110	3,888	10,132	1,913	12,045	9.5
1962	5,170	105	4,026	10,301	2,297	12,598	9.4
1963	5,813	139	3,852	9,804	2,826	12,630	8.9
1964	5,594	129	3,774	9,497	3,012	12,509	8.4
1965	5,119	167	3,530	8,816	3,092	11,908	7.5
1966	4,921	236	3,260	8,417	2,979	11,396	6.8
1967	4,683	230	3,145	8,058	3,021	11,079	6.2
1968	4,456	294	3,194	7,944	3,152	11,096	5.9
1969	4,124	390	3,221	7,735	3,179	10,914	5.5
1970	4,042	532	3,306	7,880	3,188	11,068	5.3
1971	3,828	627	3,363	7,818	3,182	11,000	4.9
1972	3,827	735	3,367	7,929	3,443	11,372	4.8
1973	3,444	884	3,412	7,740	3,663	11,403	4.5
1974	3,372	1,065	3,667	8,104	3,861	11,965	4.5
1975	4,736	1,419	4,508	10,663	4,514	15,177	5.2
1976	5,368	2,318	5,594	13,280	6,980	20,260	6.3
1977	5,315	4,002	6,051	15,368	8,187	23,555	6.7
1978	4,822	6,543	6,402	17,767	8,785	26,552	6.8
1979	4,888	9,381	6,428	20,697	9,022	29,719	6.9

*Breakdown not available.

†Holdings of U.S. Federal agency bonds in 1958 (the first year in which life companies held such securities) were estimated to be $50 million, and were included in other categories for that year.

Sources: Spectator Year Book *and American Council of Life Insurance.*

Corporate Securities

Corporate securities owned by U.S. life insurance companies were 48.3% of the companies' assets at year-end 1979 and amounted to $208.7 billion. This was an increase of $17.2 billion, or 9.0%, over the previous year and follows an increase of $19.9 billion, or 11.6%, in 1978. These securities consist of corporate bonds and stocks.

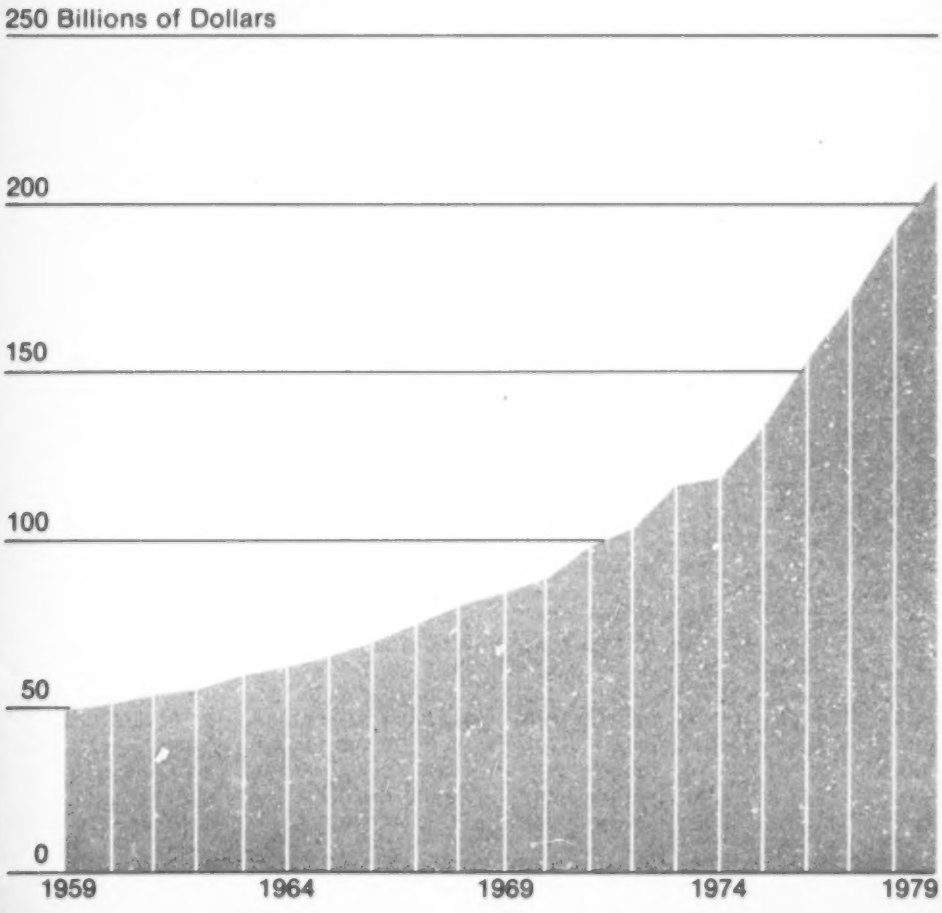
Corporate bond holdings amounted to $169.0 billion and were 39.1% of all assets at year-end 1979. These investments have increased steadily for many years and have more than doubled in the last decade. Demands for corporate bond financing were particularly heavy in the last four years.

The major share of corporate bond holdings — $159.7 billion — was invested in corporations in the United States. The remainder — $9.3 billion — was invested in corporations in foreign countries, chiefly Canada.

Life insurance companies are important investors in the corporate bond market and have been the largest institutional holder of corporate bonds issued in U.S. markets since the 1930s. Nearly two-fifths of total outstanding corporate bonds are held by life insurance companies. Private or

Growth in Holdings of Corporate Securities

U.S. Life Insurance Companies



direct placements, where the financial institution negotiates directly with the corporation over the terms of the offering, account for a large share of life company investments in corporate bonds. Life insurance companies are the major lenders in the direct placement market.

Corporate bonds include the bonds of industrial and miscellaneous corporations, public utilities and railroads. Industrial and miscellaneous bonds, which have steadily risen as a component since the end of World War II,

Corporate Securities

Owned by U.S. Life Insurance Companies *(000,000 Omitted)*

	Bonds				Stocks					
Year	United States	Foreign	Total	% of Assets	Common	Preferred	Total	% of Assets	Total Amount	% of Assets
1917 ...	*	*	$ 1,975	33.2	*	*	$ 83	1.4	$ 2,058	34.6
1920 ...	*	*	1,949	26.7	*	*	75	1.0	2,024	27.7
1925 ...	*	*	3,022	26.2	*	*	81	.7	3,103	26.9
1930 ...	*	*	4,929	26.0	*	*	519	2.8	5,448	28.8
1935 ...	*	*	5,314	22.9	*	*	583	2.5	5,897	25.4
1940 ...	*	*	8,645	28.1	*	*	605	2.0	9,250	30.1
1945 ...	*	*	10,060	22.5	*	*	999	2.2	11,059	24.7
1946 ...	*	*	11,775	24.5	*	*	1,249	2.6	13,024	27.1
1947 ...	$ 14,329	$ 382	14,711	28.4	$ 357	$ 1,033	1,390	2.7	16,101	31.1
1948 ...	18,388	456	18,844	33.9	373	1,055	1,428	2.6	20,272	36.5
1949 ...	20,893	513	21,406	35.9	460	1,258	1,718	2.9	23,124	38.8
1950 ...	22,607	641	23,248	36.3	649	1,454	2,103	3.3	25,351	39.6
1951 ...	25,147	743	25,890	37.9	820	1,401	2,221	3.3	28,111	41.2
1952 ...	28,164	905	29,069	39.6	963	1,483	2,446	3.3	31,515	42.9
1953 ...	30,750	1,115	31,865	40.6	1,042	1,531	2,573	3.3	34,438	43.9
1954 ...	32,774	1,258	34,032	40.3	1,536	1,732	3,268	3.9	37,300	44.2
1955 ...	34,629	1,283	35,912	39.7	1,889	1,744	3,633	4.0	39,545	43.7
1956 ...	36,606	1,434	38,040	39.6	1,952	1,551	3,503	3.7	41,543	43.4
1957 ...	39,065	1,600	40,665	40.1	1,867	1,524	3,391	3.3	44,056	43.8
1958 ...	41,234	1,764	42,998	40.0	2,548	1,561	4,109	3.8	47,107	43.8
1959 ...	43,142	1,884	45,026	39.6	2,954	1,607	4,561	4.0	49,587	43.6
1960 ...	44,709	2,031	46,740	39.1	3,183	1,798	4,981	4.2	51,721	43.3
1961 ...	46,595	2,292	48,887	38.5	4,223	2,035	6,258	4.9	55,145	43.4
1962 ...	48,522	2,602	51,124	38.4	4,119	2,183	6,302	4.7	57,426	43.1
1963 ...	50,620	2,833	53,453	37.9	4,820	2,315	7,135	5.0	60,588	42.9
1964 ...	52,408	3,046	55,454	37.1	5,422	2,516	7,938	5.3	63,392	42.4
1965 ...	54,835	3,409	58,244	36.7	6,263	2,863	9,126	5.7	67,370	42.4
1966 ...	57,105	3,714	60,819	36.3	6,003	2,829	8,832	5.3	69,651	41.6
1967 ...	60,835	3,852	64,687	36.4	7,810	3,067	10,877	6.1	75,564	42.5
1968 ...	64,396	3,914	68,310	36.2	9,995	3,235	13,230	7.0	81,540	43.2
1969 ...	66,813	4,046	70,859	36.0	10,318	3,389	13,707	6.9	84,566	42.9
1970 ...	68,711	4,387	73,098	35.3	11,873	3,547	15,420	7.4	88,518	42.7
1971 ...	74,699	4,499	79,198	35.7	16,779	3,828	20,607	9.3	99,805	45.0
1972 ...	81,244	4,896	86,140	35.9	21,793	5,052	26,845	11.2	112,985	47.1
1973 ...	86,848	4,948	91,796	36.4	19,606	6,313	25,919	10.3	117,715	46.7
1974 ...	91,412	5,240	96,652	36.7	14,946	6,974	21,920	8.3	118,572	45.0
1975 ...	99,993	5,844	105,837	36.6	20,304	7,757	28,061	9.7	133,898	46.3
1976 ...	113,474	7,192	120,666	37.5	25,694	8,568	34,262	10.7	154,928	48.2
1977 ...	130,181	7,708	137,889	39.2	24,086	9,677	33,763	9.6	171,652	48.8
1978 ...	147,118	8,926	156,044	40.0	24,986	10,532	35,518	9.1	191,562	49.1
1979 ...	159,738	9,252	168,990	39.1	28,161	11,596	39,757	9.2	208,747	48.3

*Breakdown not available.

Sources: Spectator Year Book *and American Council of Life Insurance.*

amounted to $111.4 billion at the end of 1979. The growth in this category of bonds reflects the postwar industrial expansion of the nation's economy. The bulk of such securities are acquired by direct placements.

Public utility bonds amounted to $41.1 billion at year-end 1979. These bonds represent an important investment medium for life insurance companies. Through these investments, the life companies have helped to provide the nation with vital services for people and industry. One example is the increase in electrical power for industrial expansion and the means of distributing it. Life insurance companies have also helped finance expanded communications facilities and have invested in water, sewerage, fuel and local transportation facilities.

Railroad bonds, which had been declining as a proportion of assets since the end of World War II, increased by $829 million in 1979 to total $5.1 billion. In the 1920s, railroad bonds accounted for about 20% of total assets held by life insurance companies, compared to 1.2% at year-end 1979.

Long-term shifts in investment demand are reflected in changes in life companies' portfolios. Since World War II, for example, there have been shifts in holdings from government securities to corporate securities. Changes in relative yields of the various types of investments account in part for these shifts. Investment of life insurance funds is not, however, a simple matter of following changes in yield curves and in assessments of investment quality. Decisions about long-term investments also require consideration of major economic and social trends for decades to come.

Investments in common and preferred stocks account for the remainder of corporate securities owned by U.S. life insurance companies. These holdings amounted to $39.8 billion, or 9.2% of total assets at the end of 1979. The net increase of $4.2 billion follows an increase of $1.8 billion in 1978.

Holdings of common stocks increased by $3.2 billion to $28.2 billion in 1979. This was due to an increase in the valuation of common stock. Preferred stocks increased by $1.1 billion, or 10.1%, to total $11.6 billion at year-end 1979.

At the end of 1978 (the latest year for which data are available) life insurance companies held 3.4% of the total corporate stock outstanding. Among institutional investors, life insurers ranked third.

Historically, stocks have been a small percentage of total assets for reasons rooted in both the investment philosophy of the business and in the laws regulating life insurance. Stocks have not been heavily used as a major investment medium for funds backing life insurance policies because of the contractual guarantees for specified dollar amounts in these policies.

Legal restrictions on stock investments have also been quite specific. For many years life companies operating in New York State could not, under law, invest in any common stock. The law was first amended in 1951 to permit some investments of this type.

The growth of funding of pension plans with life companies and variable annuities through equity securities also has led to changes. The introduction of variable life insurance has also altered the situation. State laws generally permit certain assets of these and other plans to be maintained in an account separate from a company's other assets, with up to 100% invested in stocks or other equities. At year-end 1979, 45.7% of all common stocks were held in separate accounts.

Mortgages

Life insurance company mortgage holdings at year-end 1979 amounted to $118.4 billion, or 27.4% of total assets. The asset share for mortgage loans increased slightly during 1979, from 27.2% at year-end 1978, compared with decreases in most years since 1966, when mortgages were 38.6% of total assets.

Farm mortgage holdings, which grew rapidly in the period of 1950 to 1968 and then remained fairly level for several years, have increased sharply in recent years. During 1979, farm mortgages held by life companies increased by $1.7 billion, or 16.0%, to total $12.2 billion at the end of the year. This amount was 10.3% of total mortgages held by the companies at year-end 1979.

Classifications of nonfarm mortgage holdings by type of financing show that conventional mortgages have accounted for the growth in life insurance companies' nonfarm mortgage portfolios, while government-backed mortgages have decreased for a number of years. Loans guaranteed by the Veterans Administration declined in nearly every year since 1957 and amounted to $3.0 billion at the end of 1979. Mortgages insured by the Federal Housing Administration (including loans in Canada insured under the

Mortgages

Owned by U.S. Life Insurance Companies *(000,000 Omitted)*

Year	Farm	Non-farm	Total Amount	% of Assets	Year	Farm	Non-farm	Total Amount	% of Assets
1890 ...	*	*	$ 310	40.2	1920 ...	$1,270	$1,172	$2,442	33.4
1895 ...	*	*	412	35.6	1925 ...	2,040	2,768	4,808	41.7
1900 ...	*	*	501	28.8	1930 ...	2,057	5,541	7,598	40.2
1905 ...	*	*	724	26.7	1935 ...	1,073	4,284	5,357	23.1
1910 ...	*	*	1,227	31.7	1940 ...	899	5,073	5,972	19.4
1915 ...	*	*	1,779	34.3	1945 ...	776	5,860	6,636	14.8

Year	Farm	Nonfarm F.H.A.†	Nonfarm V.A.	Nonfarm Conventional	Total Amount	% of Assets
1947	$ 895	$ 1,398	$ 844	$ 5,538	$ 8,675	16.8
1950	1,327	4,573	2,026	8,176	16,102	25.1
1955	2,273	6,530	6,074	14,568	29,445	32.6
1960	2,982	9,290	6,901	22,598	41,771	34.9
1965	4,823	12,538	6,286	36,366	60,013	37.8
1966	5,240	12,852	6,201	40,316	64,609	38.6
1967	5,569	12,672	6,122	43,153	67,516	38.0
1968	5,801	12,469	5,954	45,749	69,973	37.1
1969	5,773	12,271	5,701	48,282	72,027	36.6
1970	5,649	12,001	5,394	51,331	74,375	35.9
1971	5,601	11,336	5,004	53,555	75,496	34.0
1972	5,678	10,512	4,660	56,098	76,948	32.1
1973	5,996	9,740	4,402	61,231	81,369	32.2
1974	6,327	9,115	4,178	66,614	86,234	32.8
1975	6,753	8,502	3,903	70,009	89,167	30.8
1976	7,425	7,838	3,603	72,686	91,552	28.5
1977	8,842	7,182	3,348	77,476	96,848	27.5
1978	10,499	6,705	3,164	85,799	106,167	27.2
1979	12,184	6,372	2,975	96,890	118,421	27.4

Note: Data for 1978 are revised.

*Breakdown not available.

†Includes mortgages insured under the Canadian National Housing Act; in 1979, this amounted to $565 million.

Source: American Council of Life Insurance.

Mortgages Owned by U.S. Life Insurance Companies by State 1978 *(000 Omitted)*

State	Farm	Nonfarm F.H.A.	Nonfarm V.A.	Nonfarm Conventional	Total
Alabama	$ 72,500	$ 200,100	$ 131,500	$ 1,070,400	$ 1,474,500
Alaska	-	5,300	-	186,500	191,800
Arizona	146,600	70,600	23,400	1,188,500	1,429,100
Arkansas	392,100	52,400	26,900	380,300	851,700
California	1,548,500	608,800	262,500	12,322,500	14,742,300
Colorado	325,800	177,900	201,900	2,030,400	2,736,000
Connecticut	500	22,800	10,200	786,900	820,400
Delaware	1,100	17,600	5,600	200,300	224,600
D.C.	-.	34,500	8,200	1,194,300	1,237,000
Florida	375,600	417,300	187,200	4,509,100	5,489,200
Georgia	194,500	176,500	90,200	2,756,500	3,217,700
Hawaii	10,900	31,800	5,800	1,019,900	1,068,400
Idaho	212,300	17,300	7,200	163,900	400,700
Illinois	584,800	246,100	197,400	4,583,200	5,611,500
Indiana	362,400	135,700	61,700	1,735,600	2,295,400
Iowa	747,300	104,800	88,400	619,100	1,559,600
Kansas	428,800	45,600	24,000	766,100	1,264,500
Kentucky	114,100	107,000	50,700	891,600	1,163,400
Louisiana	268,300	134,800	111,000	1,612,800	2,126,900
Maine	6,300	2,600	100	92,300	101,300
Maryland	16,000	96,500	58,900	2,314,500	2,485,900
Massachusetts	2,200	74,500	1,500	1,343,900	1,422,100
Michigan	64,700	192,800	44,800	2,562,700	2,865,000
Minnesota	358,800	118,900	69,500	1,475,300	2,022,500
Mississippi	302,000	86,900	52,000	429,900	870,800
Missouri	371,900	119,600	66,400	1,728,800	2,286,700
Montana	251,000	21,500	5,100	90,100	367,700
Nebraska	569,900	65,400	36,800	505,400	1,177,500
Nevada	73,000	21,000	8,000	431,600	533,600
New Hampshire	5,200	1,800	*	148,900	155,900
New Jersey	4,700	123,100	35,100	2,754,500	2,917,400
New Mexico	104,400	41,700	19,900	292,300	458,300
New York	17,000	246,700	15,700	4,364,700	4,644,100
North Carolina	103,700	133,900	114,400	1,722,600	2,074,600
North Dakota	60,100	2,900	1,600	99,500	164,100
Ohio	191,600	288,300	134,900	2,692,200	3,307,000
Oklahoma	216,100	123,000	59,700	1,034,300	1,433,100
Oregon	207,600	77,200	8,900	638,100	931,800
Pennsylvania	31,000	104,100	43,500	2,442,300	2,620,900
Rhode Island	-	5,300	300	65,100	70,700
South Carolina	18,400	119,400	69,700	750,300	957,800
South Dakota	107,500	8,600	1,500	108,200	225,800
Tennessee	60,100	221,400	100,200	1,604,100	1,985,800
Texas	889,100	591,600	420,100	9,478,100	11,378,900
Utah	22,300	37,600	18,400	527,400	605,700
Vermont	100	200	100	28,500	28,900
Virginia	37,800	181,500	170,200	2,902,800	3,292,300
Washington	375,500	259,000	61,200	1,210,800	1,906,500
West Virginia	7,300	34,300	17,200	106,600	165,400
Wisconsin	97,100	64,200	20,700	869,400	1,051,400
Wyoming	119,700	14,900	9,700	66,100	210,400
Puerto Rico	-	22,100	3,700	228,400	254,200
U.S. Territories and Possessions	-	-	-	1,300	1,300
Total U.S.	10,478,200	6,109,400	3,163,600	83,128,900	102,880,100
Canada	20,500	595,700**	-	2,615,200	3,231,400
Other Foreign	-	-	-	55,000	55,000
TOTAL	$10,498,700	$6,705,100	$3,163,600	$85,799,100	$106,166,500

*Less than $50,000.

**Mortgages insured under the Canadian National Housing Act.

Source: American Council of Life Insurance.

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Canadian National Housing Act) have decreased for thirteen consecutive years and amounted to $6.4 billion at year-end 1979.

A survey of the geographic distribution of the $106.2 billion in mortgage holdings of U.S. life companies at the end of 1978 showed that all but 3.1% were on properties located in the United States. By state, mortgage holdings were greatest in California where they totaled $14.7 billion.

By far the largest portion of mortgages on properties outside the United States in 1978 was $3.2 billion in Canada. Much of the investment outside the United States applies to reserves set aside in connection with policies bought by residents of foreign countries.

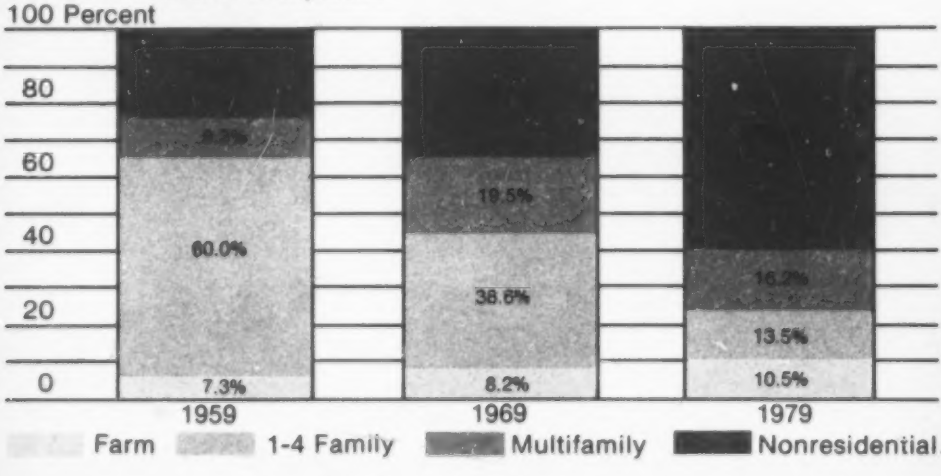
Mortgages held on properties in the United States showed a net increase during 1979 of a record $12.3 billion, compared with $9.2 billion in 1978. Loans on nonfarm, nonresidential properties alone increased by $8.6 billion during 1979. An analysis of life insurance companies' gross flow of mortgage loans during 1979 showed acquisitions of mortgages on properties in the U.S. totaled $20.4 billion while dispositions totaled $8.1 billion, primarily through repayments. Nonfarm, nonresidential mortgages (including land loans) continued to dominate life companies' mortgage acquisitions and holdings. But particularly notable in 1979 was the stepped-up pace of lending on one-to-four family housing, which for the first time in recent years exceeded repayments.

Life insurance companies were heavily involved in the home mortgage market in the 1950s and more moderately involved in the first half of the 1960s. These mortgage holdings had been declining during the twelve years through 1978, but increased in 1979 by 12.4%. At the end of 1979, one-to-four family housing accounted for 13.5% of total mortgages held by the companies on U.S. properties, compared with 38.6% at the end of 1969 and 60.0% at year-end 1959.

The 1960s saw life companies becoming more involved in mortgages on multifamily housing in response to the increasing loan demand that accompanied a rise in the construction of these housing units. Multifamily

Distribution of Mortgages by Type In the United States

U.S. Life Insurance Companies



housing mortgages accounted for 9.3% of mortgages held by life insurance companies on U.S. properties in 1959, 19.5% in 1969 and a high of 22.6% in 1974. Holdings of multifamily housing mortgages then decreased as a percentage of the total to 16.1% in 1979, amounting to $18.5 billion at year-end.

Life insurance company holdings of nonfarm, nonresidential mortgages rose at a fairly steady pace in the 1950s and 1960s and increased rapidly in the early 1970s. The properties underlying these mortgages cover a broad range of commercial, industrial and institutional uses, including retail stores and shopping centers, office buildings and factories, hospitals and medical centers. Holdings of these nonresidential mortgages represented 23.4% of U.S. mortgages held by life companies in 1959, 33.7% in 1969 and 59.8% in 1979. During 1979, these mortgage holdings increased by $8.6 billion, or 14.2%, to total $68.9 billion at the end of the year.

Gross Flow of Mortgage Loans In the United States *(In Millions of Dollars)*

U.S. Life Insurance Companies

Year	Farm	Residential 1-4 Family	Residential Multi-family	Non-residential	Total
		Held Year-End			
1971	$ 5,564	$23,801	$16,170	$27,842	$ 73,377
1972	5,643	21,549	16,750	30,824	74,766
1973	5,965	19,720	17,817	35,541	79,043
1974	6,297	18,353	18,915	40,114	83,679
1975	6,726	16,926	18,890	43,839	86,381
1976	7,400	15,463	18,439	47,264	88,566
1977	8,819	14,045	17,895	52,970	93,729
1978	10,478	13,862	18,251	60,289	102,880
1979	12,165	15,586	18,507	68,876	115,134
		Acquisitions During Year			
1971	503	523	1,907	4,295	7,228
1972	700	615	1,993	5,136	8,444
1973	1,005	645	2,459	7,033	11,142
1974	1,005	544	2,233	7,145	10,927
1975	1,075	382	1,268	6,581	9,306
1976	1,510	490	828	6,619	9,447
1977	2,373	639	1,045	9,835	13,892
1978	2,748	1,663	1,912	11,082	17,405
1979	2,806	3,534	1,727	12,309	20,376
		Dispositions During Year			
1971	549	2,572	1,193	1,898	6,212
1972	621	2,867	1,413	2,154	7,055
1973	683	2,474	1,392	2,316	6,865
1974	673	1,911	1,135	2,572	6,291
1975	646	1,809	1,293	2,856	6,604
1976	836	1,953	1,279	3,194	7,262
1977	954	2,057	1,589	4,129	8,729
1978	1,089	1,846	1,556	3,763	8,254
1979	1,119	1,810	1,471	3,722	8,122

Note: Data for 1978 are revised.

Source: American Council of Life Insurance.

Real Estate

U.S. life insurance companies increased their holdings of directly owned real estate to $113.0 billion at the end of 1979, an increase of $1.2 billion, or 10.6%, during the year. This follows an increase of 6.4% in 1978.

The total of these holdings has moved upward steadily for almost three decades, making possible a variety of industrial and business facilities and housing for many families. Well over half of the growth in the last three years has been accounted for by real estate acquired for investment purposes. Holdings for the companies' own use have also increased as the growth in business has led to the need for additional space. Real estate amounted to 3.0% of the companies' assets at the end of 1979.

Investments in commercial and residential properties accounted for $9.4 billion, or 72.1% of the 1979 total real estate holdings; the life companies' own home and branch offices accounted for $2.6 billion, or 20.1%; and the balance was accounted for by other types of real estate, mainly properties acquired in settlement of mortgage debt.

Life insurance companies were pioneers in the construction of large apartment complexes under their ownership. Many companies have encouraged the construction of shopping centers by purchasing them from developers and leasing them back for management. And some have been active in the construction of multipurpose skyscrapers and downtown centers whose ownership they retain.

A survey of the geographic distribution of real estate owned by U.S. life insurance companies at the end of 1979 shows that all but 1.5% of the total were properties located in the United States. By far the largest part of real estate investment outside the United States was $184 million in Canada.

Real Estate

Owned by U.S. Life Insurance Companies *(000,000 Omitted)*

Year	Amount	% of Assets	Year	Amount	% of Assets
1890	$ 81	10.5	1963	$ 4,319	3.1
1895	125	10.8	1964	4,528	3.0
1900	158	9.1	1965	4,681	3.0
1905	171	6.3	1966	4,885	2.9
1910	173	4.5	1967	5,187	2.9
1915	173	3.3	1968	5,571	3.0
1920	172	2.3	1969	5,912	3.0
1925	266	2.3	1970	6,320	3.0
1930	548	2.9	1971	6,904	3.1
1935	1,990	8.6	1972	7,295	3.0
1940	2,065	6.7	1973	7,693	3.0
1945	857	1.9	1974	8,331	3.2
1950	1,445	2.2	1975	9,621	3.3
1955	2,581	2.9	1976	10,476	3.3
1960	3,765	3.1	1977	11,060	3.2
1961	4,007	3.2	1978	11,764	3.0
1962	4,107	3.1	1979	13,007	3.0

Sources: Spectator Year Book *and American Council of Life Insurance.*

Real Estate Owned by U.S. Life Insurance Companies by State 1979 *(000 Omitted)*

State	Farm	Other	Total
Alabama	$ 1,000	$ 74,800	$ 75,800
Alaska	—	4,400	4,400
Arizona	4,000	155,400	159,400
Arkansas	23,000	27,600	50,600
California	63,900	1,756,100	1,820,000
Colorado	13,700	125,400	139,100
Connecticut	—	333,500	333,500
Delaware	—	10,800	10,800
D.C.	—	115,300	115,300
Florida	5,700	759,600	765,300
Georgia	3,400	401,200	404,600
Hawaii	—	85,000	85,000
Idaho	4,000	8,200	12,200
Illinois	17,300	978,400	995,700
Indiana	2,600	281,300	283,900
Iowa	200	71,000	71,200
Kansas	—	88,000	88,000
Kentucky	—	94,100	94,100
Louisiana	300	139,900	140,200
Maine	—	14,900	14,900
Maryland	100	252,600	252,700
Massachusetts	—	641,800	641,800
Michigan	*	399,700	399,700
Minnesota	100	388,500	388,600
Mississippi	44,500	39,800	84,300
Missouri	2,400	258,600	261,000
Montana	*	8,300	8,300
Nebraska	700	190,700	191,400
Nevada	1,100	11,000	12,100
New Hampshire	—	2,700	2,700
New Jersey	*	522,500	522,500
New Mexico	100	65,000	65,100
New York	—	1,198,300	1,198,300
North Carolina	20,000	109,000	129,000
North Dakota	—	10,900	10,900
Ohio	500	396,100	396,600
Oklahoma	200	112,100	112,300
Oregon	12,100	77,200	89,300
Pennsylvania	—	553,100	553,100
Rhode Island	—	36,500	36,500
South Carolina	4,100	78,100	82,200
South Dakota	—	12,600	12,600
Tennessee	2,800	268,900	271,700
Texas	8,400	867,200	875,600
Utah	700	34,800	35,500
Vermont	—	8,700	8,700
Virginia	700	215,600	216,300
Washington	1,500	91,800	93,300
West Virginia	—	20,800	20,800
Wisconsin	1,400	160,200	161,600
Wyoming	900	1,300	2,200
Puerto Rico	—	14,800	14,800
U.S. Territories and Possessions	—	3,000	3,000
Total United States	241,400	12,577,100	12,818,500
Canada	—	183,500	183,500
Other Foreign	—	5,300	5,300
TOTAL	$241,400	$12,765,900	$13,007,300

*Less than $500,000.

Source: American Council of Life Insurance.

Policy Loans

Life insurance company loans to policyholders against the cash values of their life policies amounted to $34.8 billion in 1979, a net increase of $4.7 billion after repayments. This increase exceeds the previous record increase of $2.7 billion set in 1974.

Policy loans outstanding accounted for 8.1% of company assets at year-end 1979, up from 7.8% in 1978. This percentage had been dropping steadily from the recent peak of 8.7% in 1974. The amount of policy loans has been increasing for more than two decades. They did not, however, exceed 5.0% of company assets between 1945 and 1965.

The amount of policy loans outstanding increased 15.5% between 1978 and 1979. The relatively large increases during the past several years are related to the general levels of interest rates on other forms of borrowing. The interest rate guaranteed in a life insurance policy has been relatively lower than could be obtained elsewhere.

Tight money conditions led to sharp increases in policy loans in 1973-1974, and again in 1979. The trend indicates that a policy loan interest rate more closely related to the general level of interest rates is appropriate. Legislation recently enacted in almost all states has permitted higher rates in the loan provision of new policies.

Life companies must make policy loans from funds that they would otherwise invest. Since premium rates are based in part on an anticipated investment return, interest must be charged on the loans. At the same time, the amount of a policy's protection is reduced by the amount of a loan, and policyholders are advised by their life companies that an outstanding loan can seriously impair a family's insurance planning. None of the amounts of policy loans shown here include loans made to policyholders by banks or by other lending institutions holding the borrowers' life insurance policies as collateral.

Policy Loans

U.S. Life Insurance Companies *(000,000 Omitted)*

Year	Amount	% of Assets	Year	Amount	% of Assets
1890	$ 20	2.6	1965	$ 7,678	4.8
1895	36	3.1	1966	9,117	5.5
1900	89	5.1	1967	10,059	5.7
1905	226	8.3	1968	11,306	6.0
1910	495	12.8	1969	13,825	7.0
1915	780	15.0	1970	16,064	7.8
1920	859	11.7	1971	17,065	7.7
1925	1,446	12.5	1972	18,003	7.5
1930	2,807	14.9	1973	20,199	8.0
1935	3,540	15.2	1974	22,862	8.7
1940	3,091	10.0	1975	24,467	8.5
1945	1,962	4.4	1976	25,834	8.0
1950	2,413	3.8	1977	27,556	7.8
1955	3,290	3.6	1978	30,146	7.8
1960	5,231	4.4	1979	34,825	8.1

Sources: Spectator Year Book *and American Council of Life Insurance.*

Miscellaneous Assets

U.S. life insurance companies held $27.6 billion in miscellaneous assets at the end of 1979.

Two major components accounting for two-thirds of the total are due and deferred premiums, and interest and other investment income due and accrued. Due and deferred premiums are premiums that had not yet been received at the end of the year, but for which reserves had been established by the companies. Due and accrued investment income is income that had been earned but not yet received.

Another major item is cash holdings, relatively moderate amounts of which are needed for prompt payments to beneficiaries, policy loans and other services. Other miscellaneous assets illustrate a variety of investment outlets. Assets in the miscellaneous category include electronic data processing equipment, and oil, mineral and timber rights. Life insurance companies have also made investments in the Alaska pipeline.

Many life companies own equipment for lease-back to other businesses. At year-end 1979, $98 million was invested in transportation equipment, including jet aircraft, railroad cars and automotive fleets. Another $1.6 billion reported under miscellaneous assets was invested in real estate joint ventures. Under these holdings, the life company forms a partnership with others to share in the ownership, operation, risk and profit of the property.

Miscellaneous Assets

U.S. Life Insurance Companies *(000,000 Omitted)*

Year	Amount	% of Assets	Year	Amount	% of Assets
1890	$ 89	11.5	1925	$ 604	5.3
1895	111	9.6	1930	977	5.2
1900	192	11.0	1935	1,705	7.3
1905	201	7.4	1940	1,977	6.3
1910	191	4.9	1945	1,738	3.9
1915	282	5.4	1950	2,591	4.1
1920	474	6.5	1955	3,742	4.1

Year	Cash	Due and Deferred Premiums	Due and Accrued Investment Income	Other	Total Amount	% of Assets
1960	$1,330	$ 2,379	$1,006	$ 558	$ 5,273	4.4
1965	1,503	3,303	1,403	1,025	7,234	4.5
1966	1,547	3,673	1,529	1,048	7,797	4.6
1967	1,576	3,963	1,674	1,214	8,427	4.7
1968	1,682	4,302	1,813	1,353	9,150	4.8
1969	1,634	4,688	1,985	1,657	9,964	5.0
1970	1,758	5,118	2,185	1,848	10,909	5.3
1971	1,763	5,436	2,404	2,229	11,832	5.3
1972	1,981	5,976	2,679	2,491	13,127	5.5
1973	2,071	6,376	2,932	2,678	14,057	5.6
1974	1,999	7,086	3,263	3,037	15,385	5.8
1975	1,925	7,744	3,741	3,564	16,974	5.9
1976	2,003	8,375	4,349	3,775	18,502	5.7
1977	2,130	9,284	5,048	4,589	21,051	6.0
1978	2,367	10,349	5,844	5,173	23,733	6.1
1979	2,670	11,692	6,555	6,646	27,563	6.3

Note: Data for 1978 are revised.

Sources: Spectator Year Book *and American Council of Life Insurance.*

Assets Held In Separate Accounts

Separate account investments totaled $25.6 billion at the end of 1979. Holdings in these accounts increased by $5.2 billion, or 25.5%, during the year.

Of the total amount held, $12.9 billion, or 50.2%, was in common stocks, compared with $11.5 billion, or 56.3%, at the end of 1978. Acquisitions of common stocks for separate accounts amounted to $4.3 billion in 1979. $4.9 billion of common stocks were disposed of during the year.

Holdings of bonds increased 39.1% to $9.2 billion during 1979.

Mutual life insurance companies, which are generally older and larger than the stockholder-owned companies, had 50.9% of their separate account investments in common stocks. For stock companies the proportion was 48.7%. For stock and mutual companies combined, 35.8% was in various types of bonds, 8.2% was in real estate and the remaining 5.8% was in other types of investments.

Separate accounts were first used by U.S. life insurance companies in connection with their pension business in the early 1960s. A separate account is a fund established by a life insurance company and held separately from all other assets. State laws provide that assets in separate accounts may be invested without regard to the restrictions that are usually placed on the general investments of life companies. Thus, a separate account portfolio might be comprised of only common stocks, only bonds, only mortgages, or some combination of these investments.

While separate accounts have been used primarily to fund individual and group annuities, the introduction of variable life insurance will increase the use of separate accounting for life insurance purposes. At the end of 1979, three life companies had established separate accounts to back variable life insurance policies.

Distribution of Assets Held in Separate Accounts

U.S. Life Insurance Companies *(000,000 Omitted)*

Year	Bonds	Stocks		Mortgages	Real Estate	Cash	Other	Total
		Common	Preferred					
1967	$ 114	$ 1,055	$ 9	$ 14	*	$13	$ 2	$ 1,207
1968	253	1,915	31	20	$ 1	48	21	2,269
1969	638	2,745	48	36	1	52	99	3,619
1970	878	3,955	86	37	2	69	34	5,061
1971	763	6,416	83	87	24	88	62	7,523
1972	948	8,673	71	120	96	68	82	10,058
1973	1,581	7,900	53	171	186	64	75	10,030
1974	2,326	6,158	34	202	372	57	127	9,276
1975	2,553	9,277	46	200	563	55	279	12,973
1976	2,750	12,152	67	214	653	41	346	16,223
1977	4,369	10,946	51	268	803	43	678	17,358
1978	6,604	11,493	35	311	1,146	45	792	20,426
1979	9,187	12,868	34	410	2,097	50	998	25,644

Note: In 1979, 125 U.S. life companies had assets in separate accounts, compared with 123 companies in 1978, 125 in 1977 and 123 in 1976.

*Less than $500,000.

Source: American Council of Life Insurance.

LIFE INSURANCE COMPANIES

The number of U.S. legal reserve life insurance companies in business at the end of 1979 totaled an estimated 1,890.

Growth in the number of companies was most rapid between the end of World War II and 1970. The number of companies reached an all-time high in 1979 following a period of relative decline. The data shown here do not include fraternal benefit societies although they operate on a legal reserve basis.

The great majority of companies added through the years were newly-formed organizations. The others had converted from fraternal and assessment life insurers, or from nonlife insurers, to a legal reserve life company status. Some had been formed by consolidation of two or more existing companies. Others were set up to take over the business of another company. Still others had been reactivated after being dormant. (Companies not actively in business are not included in the total, even though they may be chartered and licensed.)

Most companies that discontinued operations did so by merging with or into other insurers or had all their outstanding business reinsured in other life insurance companies. The remaining companies terminated for various reasons, including conversion to nonlife company status.

The majority of small new companies formed in recent years remain in business. By specializing in meeting the needs of families in specific regions, many have been able to compete successfully with older and larger companies whose operations encompass larger areas.

Of the companies in business at mid-1979, there were at least two domiciled in each state with the exception of Alaska, which has one. Arizona had the largest number, followed by Texas and Louisiana.

Number of U.S. Life Insurance Companies

Year	Number	Year	Number	Year	Number
1759	1	1905	126	1965	1,629
1760	1	1910	284	1966	1,704
1770	2	1915	295	1967	1,715
1780	2	1920	335	1968	1,763
1790	3	1925	379	1969	1,773
1800	4	1930	438	1970	1,780
1810	2	1935	373	1971	1,765
1820	6	1940	444	1972	1,753
1830	9	1945	473	1973	1,766
1840	15	1950	649	1974	1,757
1850	48	1955	1,107	1975	1,746
1860	43	1960	1,441	1976	1,742
1870	129	1961	1,448	1977	1,789
1880	59	1962	1,469	1978	1,840
1890	60	1963	1,488	1979	1,890
1900	84	1964	1,547		

Note: Data for 1978 are revised. The figure for 1979 is preliminary.

Sources: Marketing Life Insurance *(J. Owen Stalson), American Council of Life Insurance and* Best's Review.

In mid-year 1979, most stock companies were located in either the South, 37%, or the West, 35%, with the remaining companies in the North Central region, 19%, and the Northeast, 9%. Mutual companies were domiciled predominantly in the North Central region, 54% of the total, followed by 28% in the Northeast, 12% in the South and 6% in the West.

Of the companies in business at mid-year 1979, a total of 1,732, or 93%, were owned by stockholders. The remaining 138 were mutual companies. Mutual companies, which are generally older and larger than the stockholder-owned companies, had about three-fifths of the assets of all U.S. life companies and accounted for 50% of life insurance in force. In the past 13 years, five companies have converted from the status of a mutual company to a stock company and one stock company has converted to a mutual.

At year-end 1977 (the latest year for which data are available), there were 166 life insurance companies that had been in business more than 50 years. Among these, 31 were at least a century old. In each of the four geographic divisions of the United States there was at least one company that commenced business 100 years ago or earlier.

The older companies, those over 100 years old, held the majority of assets and life insurance in force at the end of 1975, 67.5% and 52.6%, respectively. Companies in business between 50 and 100 years accounted for 18.0% of the assets and 19.9% of the total in force. Younger companies — those in business for 25 to 50 years — had 7.6% of the assets and 11.8% of the life insurance in force. The relatively newer companies, those in business less than 25 years, had 6.9% of assets and 15.7% of the insurance in force.

Number of U.S. Life Insurance Companies by State Mid-Year 1979

State	Number	State	Number	State	Number
Alabama	36	Louisiana	95	Oklahoma	64
Alaska	1	Maine	4	Oregon	7
Arizona	478	Maryland	12	Pennsylvania	60
Arkansas	25	Massachusetts	16	Rhode Island	8
California	51	Michigan	24	South Carolina	28
Colorado	25	Minnesota	21	South Dakota	9
Connecticut	17	Mississippi	23	Tennessee	25
Delaware	32	Missouri	40	Texas	188
D.C.	9	Montana	3	Utah	13
Florida	36	Nebraska	29	Vermont	3
Georgia	27	Nevada	2	Virginia	15
Hawaii	8	New Hampshire	4	Washington	19
Idaho	7	New Jersey	15	West Virginia	2
Illinois	90	New Mexico	9	Wisconsin	27
Indiana	55	New York	68	Wyoming	2
Iowa	32	North Carolina	21		
Kansas	20	North Dakota	9	Total U.S.	1,870
Kentucky	14	Ohio	42		

Note: Data are based on reports from individual state insurance departments. These companies are considered legal reserve life insurance companies by their respective state insurance departments but may not meet the requirements for this classification as set by other states.

Source: American Council of Life Insurance.

Change in Number of U.S. Life Insurance Companies in Business in the United States

Year	In Business Start of Year			New Oper-ations	Discon-tinued	In Business Year-End			Net Changes During Year
	Stock	Mutual	Total			Stock	Mutual	Total	
1950	478	133	611	44	6	507	142	649	+ 38
1951	507	142	649	50	20	531	148	679	+ 30
1952	531	148	679	62	11	567	163	730	+ 51
1953	567	163	730	117	15	661	171	832	+ 102
1954	661	171	832	115	30	753	164	917	+ 85
1955	753	164	917	216	26	942	165	1,107	+ 190
1956	942	165	1,107	133	49	1,035	156	1,191	+ 84
1957	1,035	156	1,191	120	38	1,119	154	1,273	+ 82
1958	1,119	154	1,273	142	50	1,212	153	1,365	+ 92
1959*	1,212	153	1,365	125	65	1,273	152	1,425	+ 60
1960	1,273	152	1,425	96	80	1,286	155	1,441	+ 16
1961	1,286	155	1,441	87	80	1,292	156	1,448	+ 7
1962	1,292	156	1,448	101	80	1,312	157	1,469	+ 21
1963	1,312	157	1,469	86	67	1,332	156	1,488	+ 19
1964	1,332	156	1,488	131	72	1,393	154	1,547	+ 59
1965	1,393	154	1,547	149	67	1,475	154	1,629	+ 82
1966	1,475	154	1,629	156	81	1,550	154	1,704	+ 75
1967	1,550	154	1,704	90	79	1,561	154	1,715	+ 11
1968	1,561	154	1,715	112	64	1,608	155	1,763	+ 48
1969	1,608	155	1,763	74	64	1,619	154	1,773	+ 10
1970	1,619	154	1,773	73	66	1,627	153	1,780	+ 7
1971	1,627	153	1,780	49	64	1,612	153	1,765	— 15
1972	1,612	153	1,765	76	88	1,603	150	1,753	— 12
1973	1,603	150	1,753	75	62	1,619	147	1,766	+ 13
1974	1,619	147	1,766	73	82	1,612	145	1,757	— 9
1975	1,612	145	1,757	63	74	1,603	143	1,746	— 11
1976	1,603	143	1,746	85	89	1,602	140	1,742	— 4
1977	1,602	140	1,742	89	42	1,647	142	1,789	+ 47
1978	1,647	142	1,789	117	66	1,700	140	1,840	+ 51
1979	1,700	140	1,840	N.A.	N.A.	N.A.	N.A.	1,890	N.A.

Note: Data for 1977 and 1978 are revised. The figure for year-end 1979 is preliminary. A change in domicile is reflected in both new and discontinued operations.

N.A.—Not available.

*Includes seven companies domiciled in Alaska and Hawaii which were started in earlier years.

Source: American Council of Life Insurance.

Number of U.S. Life Insurance Companies in Business Year-End 1978

Year Commenced Business	Stock	Mutual	Total
1875 and Prior	8	23	31
1876-1925	101	34	135
1926-1950	191	39	230
1951-1960	412	22	434
1961-1970	598	21	619
1971-1978	390	1	391
Total	1,700	140	1,840

Source: American Council of Life Insurance.

EMPLOYMENT IN INSURANCE

The insurance business in the United States employed an average of 1,839,000 people in all of its branches in 1979. Women accounted for 56% of all employees.

Government data on employees of insurance agencies and home offices in 1979 on an establishment basis show a total of 1,213,300 insurance home office personnel (523,500 in life insurance) and 430,700 insurance agents, brokers and service personnel. Women accounted for 60% of home office personnel (53% of life insurance home office personnel), and 61% of the agents, brokers and service personnel. These data do not include 195,000 independent agents and agency staff employees.

During 1967, the most recent year for which detailed data are available, some 740,000 persons worked in life insurance, either exclusively or together with other kinds of insurance. About 570,000 persons worked solely in other branches of insurance, mostly property, casualty and liability lines, bringing the total in that year to 1,310,000.

Employment in the insurance business continues to rise. However, increases in personnel have been relatively smaller than increases in sales, indicating larger unit sales and more efficiency in handling the detailed records necessary in any insurance operation. Automation is particularly suitable for many phases of insurance work and has contributed measurably to efficiency.

Sales personnel numbered about 450,000 in 1967. Almost half of them — 220,000 persons—derived from 50% to 100% of their income from the sale of life insurance; the other 230,000 derived less than 50%.

In 1967, the insurance business employed 690,000 men and 620,000 women. The sales force was predominantly male, but women outnumbered men in nonsales work. Nearly 75% of nonsales personnel were clerical, and of these about 80% were women. Close to 20% of nonsales workers were in managerial positions, while the remaining 6% of workers were professional or technical.

Number of Persons Employed in Insurance In the United States

Year	Annual Average
1945	600,000
1950	800,000
1955	900,000
1960	1,105,000
1965	1,225,000
1970	1,460,000
1971	1,490,000
1972	1,530,000
1973	1,575,000
1974	1,620,000
1975	1,640,000
1976	1,675,000
1977	1,690,000
1978	1,776,000
1979	1,839,000

Sources: American Council of Life Insurance and U.S. Department of Labor.

LIFE EXPECTANCY

The average length of a person's life in the United States has increased by more than 50% during this century.

Most of the improvement in life expectancy took place during the first half of the century. Little change has occurred since the mid-1950s. Between 1900 and 1955, life expectancy increased by 22.3 years, but since 1955, it has increased by only 3.6 years to 73.2 years in 1977 (the latest year for which data are available).

But while this century's advances in medicine, public health and safety have added to people's lives, the benefits have not been distributed equally. By far the largest increase in life expectancy has been among the newborn as a result of sharp reductions in mortality among infants and young children. Increases in life expectancy have been progressively smaller at older ages, and smaller for men than for women at all ages.

The measure of life expectancy results from the calculation of the average number of years of life that remain to a group of persons now at the same age, based on a particular mortality table. The measurement refers to the entire group and cannot be taken to indicate how long a particular individual may expect to live.

The gain in life expectancy for women since the turn of the century has been greater than for men at nearly all ages. Female life expectancy at birth has increased by 28.8 years since 1900, while male life expectancy has increased by 23.0 years. The difference in the average length of life between men and women has increased. Life expectancy at age 40 was about 1.4 years longer for a woman than for a man at the turn of the century; it is now 6.4 years longer.

Expectation of Life at Birth in the United States (Years)

Year	White			All Other			Total		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
1900 ...	46.6	48.7	47.6	32.5	33.5	33.0	46.3	48.3	47.3
1910 ...	48.6	52.0	50.3	33.8	37.5	35.6	48.4	51.8	50.0
1920 ...	54.4	55.6	54.9	45.5	45.2	45.3	53.6	54.6	54.1
1930 ...	59.7	63.5	61.4	47.3	49.2	48.1	58.1	61.6	59.7
1940 ...	62.1	66.6	64.2	51.5	54.9	53.1	60.8	65.2	62.9
1950 ...	66.5	72.2	69.1	59.1	62.9	60.8	65.6	71.1	68.2
1960 ...	67.4	74.1	70.6	61.1	66.3	63.6	66.6	73.1	69.7
1961 ...	67.8	74.5	71.0	61.9	67.0	64.4	67.0	73.6	70.2
1962 ...	67.6	74.4	70.9	61.5	66.8	64.1	66.8	73.4	70.0
1963 ...	67.5	74.4	70.8	60.9	66.5	63.6	66.6	73.4	69.9
1964 ...	67.7	74.6	71.0	61.1	67.2	64.1	66.9	73.7	70.2
1965 ...	67.6	74.7	71.0	61.1	67.4	64.1	66.8	73.7	70.2
1966 ...	67.6	74.7	71.0	60.7	67.4	64.0	66.7	73.8	70.1
1967 ...	67.8	75.1	71.3	61.1	68.2	64.6	67.0	74.2	70.5
1968 ...	67.5	74.9	71.1	60.1	67.5	63.7	66.6	74.0	70.2
1969 ...	67.8	75.1	71.3	60.5	68.4	64.3	66.8	74.3	70.4
1970 ...	68.0	75.6	71.7	61.3	69.4	65.3	67.1	74.8	70.9
1971 ...	68.3	75.8	72.0	61.6	69.7	65.6	67.4	75.0	71.1
1972 ...	68.3	75.9	72.0	61.5	69.9	65.6	67.4	75.1	71.1
1973 ...	68.4	76.1	72.2	61.9	70.1	65.9	67.6	75.3	71.3
1974 ...	68.9	76.6	72.7	62.9	71.2	67.0	68.2	75.9	71.9
1975 ...	69.4	77.2	73.2	63.6	72.3	67.9	68.7	76.5	72.5
1976 ...	69.7	77.3	73.5	64.1	72.6	68.3	69.0	76.7	72.8
1977 ...	70.0	77.7	73.8	64.6	73.1	68.8	69.3	77.1	73.2

Source: National Center for Health Statistics, U.S. Department of Health and Human Services.

In contrast, the difference in life expectancy between white and nonwhite Americans has been greatly reduced in this century. Generally, the gain for nonwhite males has exceeded that for white males at all ages. Nonwhite females showed the greatest gains at the younger and older ages. For white females, life expectancy improved most between the ages of about 45 and 65.

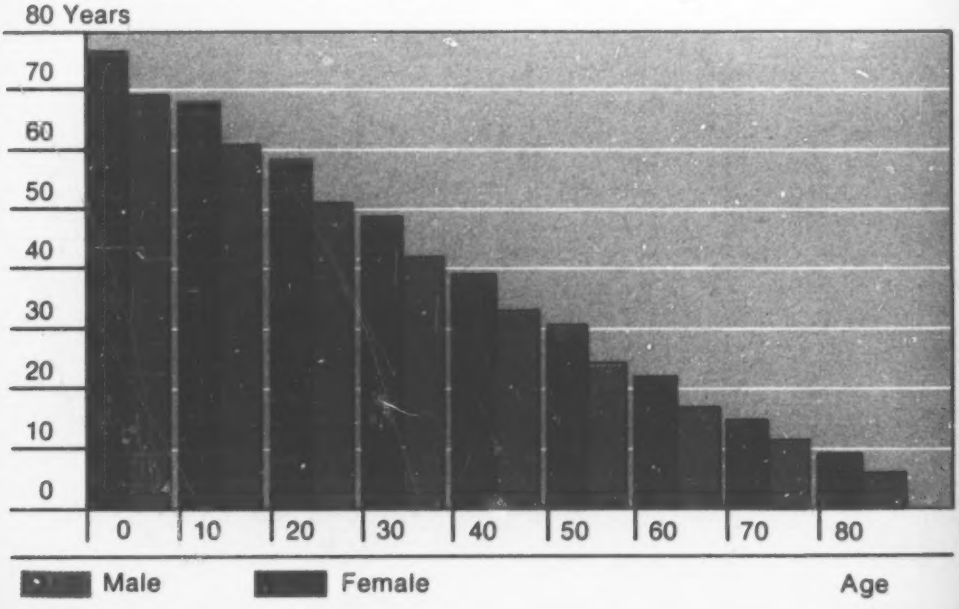
In 1977, the difference in life expectancy between white and nonwhite persons at birth was 4.6 years for females and 5.4 years for males, and this difference decreased with age.

Expectation of Life at Various Ages in the United States 1977

Age	White			All Other			Total		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
0	70.0	77.7	73.8	64.6	73.1	68.8	69.3	77.1	73.2
1	70.0	77.6	73.8	65.2	73.6	69.4	69.4	77.1	73.2
5	66.2	73.7	69.9	61.5	69.8	65.6	65.6	73.2	69.4
10	61.3	68.8	65.0	56.6	65.0	60.8	60.8	68.3	64.5
15	56.5	63.9	60.2	51.8	60.0	55.9	55.9	63.4	59.6
20	51.9	59.1	55.4	47.2	55.2	51.2	51.3	58.6	54.9
25	47.3	54.3	50.8	42.8	50.5	46.6	46.8	53.8	50.3
30	42.7	49.4	46.1	38.6	45.8	42.2	42.2	49.0	45.6
35	38.0	44.6	41.3	34.3	41.2	37.7	37.6	44.2	40.9
40	33.4	39.8	36.6	30.2	36.7	33.4	33.1	39.5	36.3
45	29.0	35.2	32.1	26.3	32.4	29.3	28.7	34.9	31.8
50	24.7	30.7	27.7	22.7	28.3	25.5	24.5	30.4	27.5
55	20.8	26.4	23.6	19.4	24.5	21.9	20.6	26.2	23.5
60	17.1	22.3	19.8	16.5	21.0	18.7	17.0	22.1	19.7
65	13.9	18.4	16.3	14.0	17.8	16.0	13.9	18.3	16.3
70	11.1	14.8	13.1	11.4	14.5	13.1	11.1	14.7	13.1
75	8.6	11.5	10.3	9.7	12.5	11.2	8.7	11.6	10.4
80	6.8	8.8	8.0	8.7	11.3	10.2	6.9	9.0	8.2
85 and Over	5.3	6.8	6.2	7.3	9.6	8.7	5.5	6.9	6.4

Source: National Center for Health Statistics, U.S. Department of Health and Human Services.

Expectation of Life at Various Ages in the United States 1977



CAUSES OF DEATH

In recent decades, the overall death rate of the U.S. population has decreased due to medical developments, improvements in public health and job safety, and rising standards of living. The death rate continued to decline in 1979 to the lowest rate ever recorded, 8.7 per 1,000 population.

Medical improvements and environmental changes have been more effective in reducing deaths from some causes than others. There has been increasing success in identifying and controlling contagious diseases, but there has been less success in controlling deaths from accidental causes.

In 1979, the deaths of 7 out of 10 ordinary life insurance policyholders with U.S. life companies were due to two principal causes: cardiovascular-renal diseases and cancer.

Since the 1950s, deaths attributable to cardiovascular-renal diseases have decreased slightly, whereas cancer has been an increasing cause of death. These trends have followed those of the general population of the United States.

The percentage of deaths due to cardiovascular-renal diseases declined to 48.2% of all deaths in 1979. Deaths due to ischemic heart disease and chronic disease of endocardium and other myocardial insufficiencies were 30.7% in 1979. Cerebrovascular diseases also declined to 6.0%. The decline in these latter causes of death in recent years has accounted for most of the decline in the percentage of deaths due to cardiovascular-renal disease. Heart disease has decreased significantly in recent years and has affected the overall declining death rate.

The proportion of deaths due to cancer continued to increase; 23.1% of policyholder deaths were attributed to this cause.

Motor vehicle accidents are another major cause of death. Between 1965 and 1973, motor vehicle deaths annually accounted for 3.5% or 3.6% of policyholder deaths. In 1974 motor vehicle accidents accounted for 3.0% of policyholder deaths, but in 1975 the percentage began rising, to 3.3% in 1978 and 1979.

Bronchitis and other respiratory diseases accounted for 3.1% of policyholder deaths. Pneumonia and influenza combined were responsible for 2.5% of deaths, while cirrhosis of the liver represented 1.2%.

The percentage of deaths attributable to accidents, other than those involving motor vehicles, amounted to 2.7% of policyholder deaths in 1978 and 1979. Two other external causes of death, suicide and homicide, represented 2.6% of deaths.

Over the years, the nation's life insurance companies have made significant contributions to basic research relating to causes of death. The recent focus of individual company contributions and research grants has been in the areas of delivery of health care services and preventive medicine. The Insurance Medical Scientist Scholarship Fund, supported by insurance company contributions, provides scholarships for students planning careers in medical research and teaching.

Distribution of Ordinary Policyholder Deaths by Cause U.S. Life Insurance Companies

Cause of Death	1945	1950	1955	1960	1965	1970
NATURAL CAUSES						
Cardiovascular-renal Disease	49.3%	57.0%	57.2%	55.7%	53.9%	52.1%
Cancer	14.8	17.3	18.6	18.7	19.2	20.1
Pneumonia and Influenza	3.1	1.9	2.0	3.2	3.1	3.3
Tuberculosis (all forms)	2.8	1.3	.5	.3	.2	.1
Diabetes	1.5	1.3	.9	1.0	1.1	1.0
Other Diseases*	18.2	12.0	12.3	13.1	13.6	14.5
Total Natural Causes	89.7	90.8	91.5	92.0	91.1	91.1
EXTERNAL CAUSES						
Motor Vehicle Accidents	2.3	3.1	3.1	2.9	3.6	3.5
Other Accidents	5.9	3.6	3.2	3.1	3.2	3.1
Suicide	1.9	2.2	2.0	1.8	1.8	1.7
Homicide	.2	.3	.2	.2	.3	.6
Total External Causes	10.3	9.2	8.5	8.0	8.9	8.9
Total All Causes	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Cause of Death	1974	1975	1976	1977	1978	1979
NATURAL CAUSES						
Cardiovascular-renal Disease						
Diseases of the Heart and Hypertension						
Ischemic Heart Disease and Other Myocardial Insufficiencies	32.6%	32.3%	32.0%	31.6%	31.7%	30.7%
Hypertensive Heart Disease and Hypertension	1.4	1.3	1.3	1.2	1.2	1.3
Other Diseases of the Heart	4.5	4.6	5.3	5.7	5.4	6.0
Total Diseases of the Heart	38.5	38.2	38.6	38.5	38.3	38.0
Cerebrovascular Disease	7.0	6.7	6.5	6.4	6.1	6.0
Arteriosclerosis and Other Diseases of Arteries, Arteriolas and Capillaries	3.3	3.3	2.9	2.9	2.9	2.9
Other	1.6	1.6	1.5	1.5	1.5	1.3
Total Cardiovascular-renal	50.4	49.8	49.5	49.3	48.8	48.2
Cancer	20.7	21.4	21.9	22.3	22.4	23.1
Pneumonia and Influenza	2.7	2.8	2.9	2.6	2.7	2.5
Diabetes	1.1	1.0	1.0	.9	.9	.9
Other Diseases						
Bronchitis and Other Respiratory Diseases	2.9	2.9	3.0	3.0	3.1	3.1
Cirrhosis	1.4	1.3	1.3	1.2	1.2	1.2
Other*	12.0	12.0	11.8	12.1	12.4	12.4
Total Other Diseases	16.3	16.2	16.1	16.3	16.7	16.7
Total Natural Causes	91.2	91.2	91.4	91.4	91.5	91.4
EXTERNAL CAUSES						
Motor Vehicle Accidents	3.0	3.0	3.1	3.1	3.3	3.3
Other Accidents	3.3	3.1	2.9	2.9	2.7	2.7
Suicide	1.7	1.8	1.8	1.8	1.7	1.7
Homicide	.8	.9	.8	.8	.8	.9
Total External Causes	8.8	8.8	8.5	8.5	8.5	8.6
Total All Causes	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note: A small number classified as "War Deaths" is included in "Other Diseases" in the data for 1960 and 1965; in other years the category is excluded. If "War Deaths" were included in the 1979 data, this category would be .04% of the resulting distribution.

*Includes those causes not specified.

Source: American Council of Life Insurance.

Death Rate

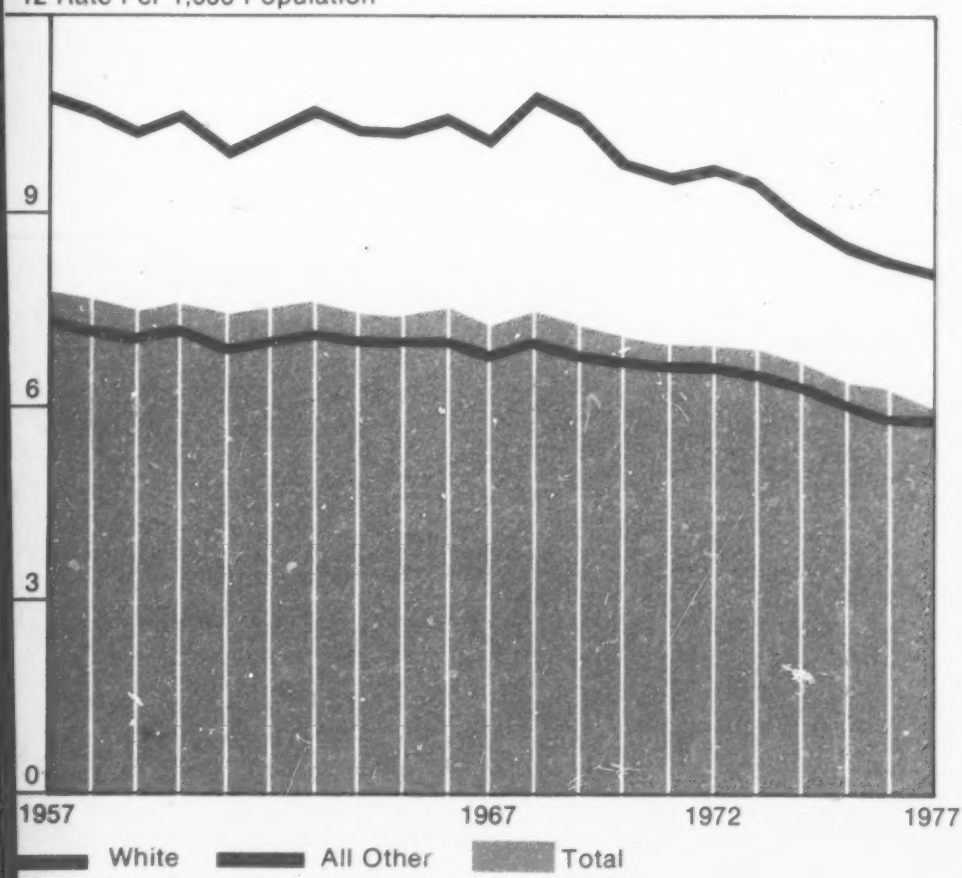
Mortality among Americans, as measured by the death rate, has decreased in recent years, after remaining at about the same level for more than a decade.

The age-adjusted death rate (technically adjusted for the changing proportion of people at each age in the U.S. population) was 6.1 per thousand in 1977 (the latest year for which data are available), the lowest rate ever recorded. In 1967, the age-adjusted rate was 7.3. From 1967 to 1972 there was a 4.1% drop to 7.0. The drop from 1972 to 1977 was even more significant — a decrease of 12.9%.

The decrease in mortality reflects continuing downtrends for two causes of death: diseases of the heart and cerebrovascular diseases. The age-adjusted mortality rates for these two causes, which accounted for 42.2% of the 1977 age-adjusted mortality rate, have decreased 17.7% from 1972 to 1977, compared to 6.9% from 1967 to 1972. The mortality decline would have been even greater were it not for increases in the rates for cancer, suicide and homicide.

For 1977 the age-adjusted death rate for the male population was 8.1 per thousand, compared with the female rate of 4.5 per thousand. Similarly, the

Age-Adjusted Death Rate in the United States



rate for persons of races other than white was 8.1 per thousand, compared with a rate of 5.9 per thousand for white persons.

During the first half of this century there was a sharp decline in the death rate due to advances in medicine. This decline resulted in a reduction of deaths at young and middle ages, so that many more people now live into their seventies and eighties.

Between 1950 and 1970, however, there was relatively little change in the overall death rate for the total population. As the seventies began, the death rate began to decline more noticeably, falling from 7.3 per thousand in 1969 to 6.1 per thousand in 1977. During the same period, the death rate for nonwhites declined even more significantly, from 10.2 per thousand to 8.1 per thousand. Since 1969, the overall death rate for women has dropped more significantly than the death rate for men. The rate per thousand for men declined from 9.5 per thousand to 8.1, a decrease of 14.7%; for women the change was from 5.4 per thousand in 1969 to 4.5 per thousand in 1977, a decrease of 16.7%.

Because life insurance policyholders as a group represent a large proportion of the total population, their overall mortality rates are likely to parallel those for the nation as a whole. Even though the actual experience of a particular life company may differ from the general pattern, long-term population mortality trends are a useful indicator of the probable experience of most life companies. If the general death rate in the United States declines, the rate among life insurance policyholders is likely to drop.

The major causes of death among policyholders of ordinary life insurance in 1979, as in recent decades, were cardiovascular-renal diseases and cancer.

Death Rate in the United States

Age-Adjusted Rate Per 1,000 Population

Year	Male	Female	Total	Year	Male	Female	Total
1915	15.4	13.4	14.4	1965	9.5	5.6	7.4
1920	14.7	13.8	14.2	1966	9.5	5.6	7.4
1925	13.8	12.2	13.0	1967	9.4	5.5	7.3
1930	13.5	11.3	12.5	1968	9.7	5.6	7.4
1935	12.9	10.4	11.6	1969	9.5	5.4	7.3
1940	12.1	9.4	10.8	1970	9.3	5.3	7.1
1945	11.1	8.0	9.5	1971	9.2	5.2	7.0
1950	10.0	6.9	8.4	1972	9.2	5.2	7.0
1955	9.3	6.1	7.7	1973	9.1	5.1	6.9
1960	9.5	5.9	7.6	1974	8.8	4.9	6.7
1961	9.2	5.7	7.4	1975	8.5	4.7	6.4
1962	9.4	5.8	7.5	1976	8.3	4.6	6.3
1963	9.6	5.8	7.6	1977	8.1	4.5	6.1
1964	9.4	5.7	7.4				

Note: Rates have been computed using the 1940 age distribution of the United States population as the standard population. Figures for 1915-1930 are for Death Registration States only; 1935-1977 are for the United States.

Sources: National Center for Health Statistics, U.S. Department of Health and Human Services.

BEST AVAILABLE COPY

SELECTION OF RISKS

The great majority of Americans who apply for life insurance are able to get it. About 97% of the applications for ordinary life insurance in the United States are accepted by the life companies, according to the latest in a series of surveys.

Only 3% of ordinary life applications are not acceptable. More than two-thirds of these applicants have serious health impairments, while the remainder are declined because of other factors, including extremely hazardous jobs.

Life companies have been successful over the years in solving the problems presented by two conflicting underwriting objectives. The selection procedures must provide the benefit of life insurance protection to the greatest possible number of people. Yet, in fairness to all policyholders, life insurance companies must take into account individual differences among applicants, such as age, family health background, medical history, occupation and avocation.

With the applicant's written consent, statements about health or risk activities can be checked with the Medical Information Bureau, an association of member life insurance companies founded by medical directors to alert underwriters to inaccuracies, omissions and willful attempts at fraud. The life insurance company may also ask the family physician for additional details about an applicant's health, with the applicant's permission.

Several developments have contributed to the high rate of acceptance of applicants. Extra-risk life insurance policies, with higher premiums to compensate for poor health or hazardous occupations, have made insurance available to many who could not otherwise obtain it. And advances in medicine, job safety and public health have led to more liberal underwriting of policies, enabling many persons to buy insurance at standard rates who would formerly have had to pay higher premiums because of their health or occupations.

Ordinary Life Insurance Applications in the United States

	1972		1976	
	Number of Policies	Amount	Number of Policies	Amount
ISSUED AND PAID FOR				
Standard	85%	79%	84%	79%
Extra-Risk	4	5	5	5
Total	89	84	89	84
NOT TAKEN BY APPLICANT				
Standard	7	10	7	10
Extra-Risk	1	3	1	3
Total	8	13	8	13
DECLINED BY COMPANY	3	3	3	3
TOTAL	100%	100%	100%	100%

Note: Data for 1972 do not include individual credit life insurance on loans of more than ten years' duration.

Source: American Council of Life Insurance.

In 1979, the Society of Actuaries and the Association of Life Insurance Medical Directors released preliminary findings from a major new statistical investigation of the effects of weight and blood pressure on mortality.

The study, a follow-up to the landmark 1959 Build and Blood Pressure Study, provided important new information linking excess weight and untreated hypertension with increased risk of death. Among the findings was the fact that people who weigh a little less than average have slightly lower death rates than individuals of average weight for their height.

While the findings reaffirmed the extra risk of death among individuals with elevated blood pressure, new evidence showed that individuals successfully treated for high blood pressure experienced a near normal risk of death.

The most recent survey of ordinary life insurance applications and ordinary in force covers 1976. In that year, extra-risk policies accounted for 6% of all the ordinary life insurance policies issued and paid for and 4% of all the ordinary policies in force at the end of the year.

A sample of the extra-risk policies bought in 1976 showed that 80% of the policies with extra-rating were rated for medical reasons, including: cardiovascular-renal disease or its symptoms, 30%; weight problems, 19%; other medical reasons, 31%. The remaining 20% were for occupational or other reasons.

Liberalization of underwriting is a continuing process in life insurance. For instance, companies often insure, at standard rates, cancer victims who have fully recovered. Skindivers, who in former years had to pay higher premiums for life insurance, if they could get it at all, now can usually obtain policies at standard rates. Changes in underwriting policy are supported by research into the effects of various health and occupational hazards on life expectancy and mortality.

Standard and Extra-Risk Ordinary Life Insurance in the United States

	Purchased During Year		Insurance In Force at End of Year	
	Policies	Amount	Policies	Amount
1972				
Standard	11,260,000	$136,156,000,000	120,117,000	$ 806,116,000,000
Extra-Risk	584,000	9,323,000,000	5,005,000	42,427,000,000
Total	11,844,000	$145,479,000,000	125,122,000	$ 848,543,000,000
1976				
Standard	12,506,000	$200,464,000,000	131,052,000	$1,119,613,000,000
Extra-Risk	713,000	13,320,000,000	5,674,000	58,059,000,000
Total	13,219,000	$213,784,000,000	136,726,000	$1,177,672,000,000

Note: Data for 1972 do not include individual credit life insurance on loans of more than ten years' duration.

Source: American Council of Life Insurance.

OTHER TYPES OF LIFE INSURANCE

Legal reserve life insurance companies accounted for 97% of life insurance in force in the United States at the end of 1979. The remainder, $99.0 billion, was issued by other private insurers and by the Federal government.

Veterans life insurance in force totaled $33.0 billion, including $433 million of U.S. Government Life Insurance (World War I), and $32.6 billion of National Service Life Insurance (World War II plus Insurance Act of 1951). The latter category includes insurance provided through a 1964 law which temporarily reopened enrollment for certain veterans whose disabilities made private life insurance unobtainable.

In addition to those government programs, legislation enacted in 1965 established Servicemen's Group Life Insurance (SGLI) for men and women on active duty in the uniformed services. Under the original program, up to $10,000 of group life insurance was available to each individual on a voluntary basis and nearly all of those who were eligible took this protection.

Legislation since then has substantially liberalized and extended the SGLI program. The maximum limit now is $20,000, and automatic full-time coverage is extended to all qualified reservists, including members of the National Guard. Retired reservists who have completed 20 years of creditable service are also eligible for coverage on a voluntary basis.

In addition, a new program was introduced in 1974, Veterans Group Life Insurance (VGLI). The VGLI program provides non-renewable, five-year term life insurance in amounts up to $20,000 to all terminating servicemen and women. When the term insurance expires, the veteran may convert to an

Veterans Life Insurance *(000,000 Omitted)*

Year	Insurance In Force		Benefit Payments				Supplementary Contract Payments	Premium Income
	Policies	Amount	Death Payments	Dividends	Other Benefits	Total		
1941	1	$ 5,034	$ 39	$ 8	$ 36	$ 83	$ 15	$ 67
1945	13	98,426	1,227	8	27	1,262	240	1,029
1950	7	45,286	204	625	50	879	325	465
1955	6	42,728	114	196	56	366	319	471
1960	6	42,030	162	262	67	491	307	550
1965	6	39,369	219	222	81	522	238	579
1970	5	37,474	301	274	142	717	216	579
1971	5	36,925	312	285	138	735	209	586
1972	5	36,591	326	297	123	746	307	703
1973	5	36,214	341	302	130	773	195	647
1974	5	35,736	361	334	126	821	189	646
1975	5	35,257	359	376	132	867	183	655
1976	5	34,721	374	403	151	928	184	679
1977	5	34,207	382	444	169	995	178	673
1978	5	33,657	393	482	174	1,049	170	684
1979	5	33,002	401	562	206	1,169	175	680

Note: "Death Payments" represent the face amounts of death claims incurred during the year, including amounts left to be paid under supplementary contracts. "Supplementary Contract Payments" represent the total payments from accumulated insurance policy proceeds left to be paid in monthly installments, and withdrawals of dividend accumulations. Servicemen's Group Life Insurance data are excluded.

Source: Veterans Administration, U.S. Government.

individual life insurance policy issued by any company participating in the SGLI program.

Servicemen's Group Life Insurance is supervised by the Veterans Administration, and is chiefly underwritten by over 500 life insurance companies. Totals of SGLI in force are included in the life insurance companies' figures in this book rather than under these government programs.

Legal reserve life insurance was also in force with fraternal benefit societies in the United States and Canada, and amounted to $53.7 billion in 1979, an increase of $4.6 billion over 1978. Benefit payments amounted to $601 million for the year. In 1979, there were some 200 fraternal benefit societies with 47,900 lodges in the United States and Canada.

Legal reserve life insurance in force with savings banks in the states of Connecticut, Massachusetts and New York amounted to $12.4 billion in 1979, an increase of 10% during the year. The banks issued $1.0 billion during the year, about the same as the previous year. The limit on individual coverage with savings banks varies by state. Connecticut has a limit of $10,000, Massachusetts, $53,000, and New York, $30,000.

The amount of life insurance protection now in force with assessment associations, mutual aid groups, burial societies and similar organizations is not available but is believed to be very small in proportion to all other life insurance.

Fraternal and Savings Bank Life Insurance *(000,000 Omitted)*

	1974	1975	1976	1977	1978	1979
FRATERNAL LIFE INSURANCE						
(U.S. and Canadian Societies)						
Insurance In Force	$34,790	$37,319	$40,720	$44,333	$49,084	$53,655
Insurance Purchased	5,604	5,495	6,012	6,737	7,548	7,982
Assets	6,101	6,531	7,147	7,679	8,358	9,072
Benefits	398	423	458	495	528	601
Premium Income	N.A.	N.A.	686	791	822	942
SAVINGS BANK LIFE INSURANCE						
Connecticut						
Insurance In Force	$ 538	$ 617	$ 688	$ 765	$ 1,005	$ 1,173
Insurance Purchased*	108	84	77	81	248	180
Assets	29	32	34	36	39	42
Benefits	3	4	4	4	5	6
Premium Income	4	5	5	5	7	8
Massachusetts						
Insurance In Force	$ 2,029	$ 2,156	$ 2,273	$ 2,383	$ 2,552	$2,736
Insurance Purchased	147	142	169	138	172	226
Assets	309	324	342	358	377	396
Benefits	28	29	29	32	33	35
Premium Income	27	28	30	31	33	34
New York						
Insurance In Force	$ 4,878	$ 5,441	$ 6,071	$ 6,824	$ 7,713	$ 8,449
Insurance Purchased	552	557	581	615	607	612
Assets	282	308	336	369	405	443
Benefits	35	37	41	43	49	54
Premium Income**	51	56	61	67	74	80

N.A. = Not Available.

*Purchases include reinsurance assumed, revivals and increases.

**Includes annuity considerations.

Sources: The National Fraternal Congress of America; The Savings Bank Life Insurance Company of Connecticut; Savings Bank Life Insurance Council (Massachusetts figures reported as of October 31); Savings Banks Life Insurance Fund (New York).

LIFE INSURANCE IN VARIOUS COUNTRIES

The development of life insurance in a particular country can be traced to the need for it created by the social and economic development of that country.

Long ago, the entire society bore individual economic risks mutually as a social responsibility. Later on, as the family became an independent and economically self-sustaining unit, it became necessary to develop a means of individual financial protection. Viewed another way, life insurance is an outgrowth of the spread of commerce and industry and the development of the concept of individual ownership of property.

Life insurance may be considered a Western concept, and its use to help insure family economic security is deeply rooted in Western society, especially among certain income groups. In many countries, life insurance is little known, and in others it is owned primarily by those cultural groups descending from European colonists or those influenced by them.

Life Insurance In Force in Various Countries

(000,000 Omitted)

Country	Currency	1960	1969	1970	1978	1979
Australia	Dollar	8,464	24,706	39,710	94,740	106,497
Austria	Schilling	9,132	34,299	40,104	178,585	202,000
Belgium	Franc	173,896	418,000	459,339	1,344,836	1,561,000
Canada	Dollar	46,867	109,830	118,822	316,042	359,136
China (Taiwan)	N.T. Dollar	969	15,369	19,674	183,021	214,556
Costa Rica	Colon	494	1,582	1,884	9,909	11,308
Denmark	Krone	11,270	39,409	47,576	138,862	159,883
Finland	Markka	4,742	11,614	11,938	23,935	25,220
France	Franc	53,289	242,800	292,000	1,820,000	2,100,000
Germany (F.R.)	D. Mark	65,616	210,014	235,234	626,771	707,460
Iceland	Krona	252	1,892	4,800	41,055	68,775
Israel	Shekel	30	464	577	16,010	31,290
Italy	Lira	2,201,611	6,577,808	7,336,032	19,170,698	N.A.
Japan	Yen	6,696,943	57,913,452	74,938,370	457,547,853	517,422,233
Korea	Won	9,855	233,385	264,451	4,386,956	6,342,456
Malaysia	Ringgit	N.A.	1,366	1,570	7,520	9,085
Netherlands	Guilder	38,915	101,485	112,288	305,988	338,000
New Zealand	Dollar	2,278	6,155	6,894	22,346	25,209
Norway	Krone	8,518	19,554	22,411	70,563	75,925
Peru	Soles	3,102	15,597	18,572	84,425	108,757
Phillippines	Peso	2,108	8,546	10,437	36,282	42,000
Spain	Peseta	25,826	164,179	184,250	2,078,414	2,800,000
Sweden	Krona	33,550	205,000	196,900	450,000	490,000
Switzerland	Franc	17,301	50,002	54,338	120,119	128,000
United Kingdom	Pound	14,509	30,220	34,250	108,200	125,500
United States	Dollar	586,448	1,284,529	1,402,123	2,870,250	3,222,340

Note: In general, the figures represent life insurance in force on the lives of residents of the country with both domestic and foreign private companies. In a few cases, annuities are included; in other cases, the figures represent the total business of domestic companies of the country and/or insurance that has been issued by government organizations.

N.A. = Not available.

Source: American Council of Life Insurance.

The life insurance data presented in this chapter represent, for the most part, the countries of Western Europe, North America, Asia and the major portion of Australasia.

One way of comparing national levels of life insurance ownership is through data on life insurance in force. However, direct comparisons are impractical because countries vary widely in economic conditions, personal income levels, living and health standards and other circumstances. So conversion of the amounts of life insurance in force in each country to a common currency would not yield a reasonable international comparison.

An index which reduces the influence of these differences is the ratio of life insurance in force to national income. It serves as a measure of the significance of life insurance protection in each country. Such ratios have, in general, shown improvement during the past decade.

By this statistical measure, Japan leads all other nations for which data are currently available. Canada ranks second, followed by the United States. The other countries in which life insurance in force equals or exceeds national income are New Zealand, Sweden, the Netherlands and Australia.

In the United Kingdom, life insurance in force reached £108.2 billion by year-end 1978, an increase of 15.4% over 1977. In 1978, this protection included £96.5 billion of ordinary and £11.7 billion of industrial.

Ratio of Life Insurance In Force To National Income In Various Countries

Country	1973	1978	Country	1973	1978
Australia	108%	108%	Japan	153%	257%
Austria	16	24	Korea	12	21
Belgium	41	48	Malaysia	17	23
Canada	148	156	Netherlands	103	119
China (Taiwan)	10	19*	New Zealand	130	139
Costa Rica	32	36	Norway	38	42
Denmark	41	50	Peru	10	6*
Finland	23	20	Phillippines	23	23
France	56	96	Spain	13	14*
Germany (F.R.)	45	55	Sweden	134	130
Iceland	9	8	Switzerland	75	85
Israel	44	75*	United Kingdom	80	75
Italy	14	10	United States	150	150

Note: National income data is on a "market prices" basis. In general, the figures represent life insurance in force on the lives of residents of the country with both domestic and foreign private companies. In a few cases, annuities are included; in other cases, the figures represent the total business of domestic companies of the country and/or insurance that has been issued by government organizations.

N.A. = Not available.

*Data are for 1977.

Sources: American Council of Life Insurance and International Monetary Fund.

Canada

Canadians bought some $55.0 billion of life insurance in 1979, an increase of $6.6 billion or 14% over 1978. Of the 1979 total, 56% was individually purchased insurance and 44% was group. By contrast, group insurance was 40% of purchases in 1969.

At the end of 1978 (the latest year for which data are available), Canadians owned life insurance equaling 156% of their national income, compared with 150% in the United States.

Total life insurance in force in Canada at the end of 1979 was estimated to be $379.3 billion, a 14% increase during the year.

Over two-fifths of the life insurance in force in Canada is ordinary life. As a percentage of all life insurance, however, ordinary insurance in Canada has been declining in proportion to group life insurance in force. From year-end 1969 through 1979, group life rose from 47% to over 58% of the total.

More than 12 million Canadians owned life insurance at the end of 1979. About three-quarters of their protection was with Canadian life companies. Much of the rest was with U.S. companies. Canadians also carry policies with British and other European life insurance companies.

Life insurance benefits paid during the year to Canadians amounted to $3.5 billion. Of this total, $2.5 billion, or 72%, was paid as living benefits to policyholders.

The assets of the 82 Canadian incorporated life insurance companies are invested primarily in the private sector of the nation's economy, chiefly in corporate bonds and mortgages. Many Canadian life companies invest part of

Life Insurance in Canada

(Millions of Canadian Dollars)

	1978	1979
Purchases		
Ordinary	$ 26,378	$ 31,025
Group	21,935	23,932
Total	$ 48,313	$ 54,957
Insurance In Force		
Ordinary	$140,377	$157,287
Group	192,359	221,986
Total	$332,736	$379,273
Benefit Payments		
Death Payments	$ 856	$ 971
Matured Endowments	78	113
Disability Payments	37	46
Annuity Payments	925	1,171
Surrender Values	339	495
Policy Dividends	454	516
Segregated Funds	184	176
Total	$ 2,873	$ 3,488
Premium Income	$ 5,027	$ 5,553

Note: Figures cover both Federally registered companies and provincial licensees. "Ordinary" in the "Purchases" and "Insurance In Force" categories includes industrial insurance. "Annuity Payments" include any death payments, disability payments and surrender values from annuities. Annuity dividends are included in "Policy Dividends." "Segregated Funds" are primarily annuity payments. The data for 1978 are revised and the data for 1979 are preliminary.

Source: Canadian Life Insurance Association.

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their funds in the United States, where they conduct over one-fifth of their business, and many U.S. companies similarly invest and do business in Canada.

Distribution of Assets

Canadian Life Insurance Companies *(Millions of Canadian Dollars)*

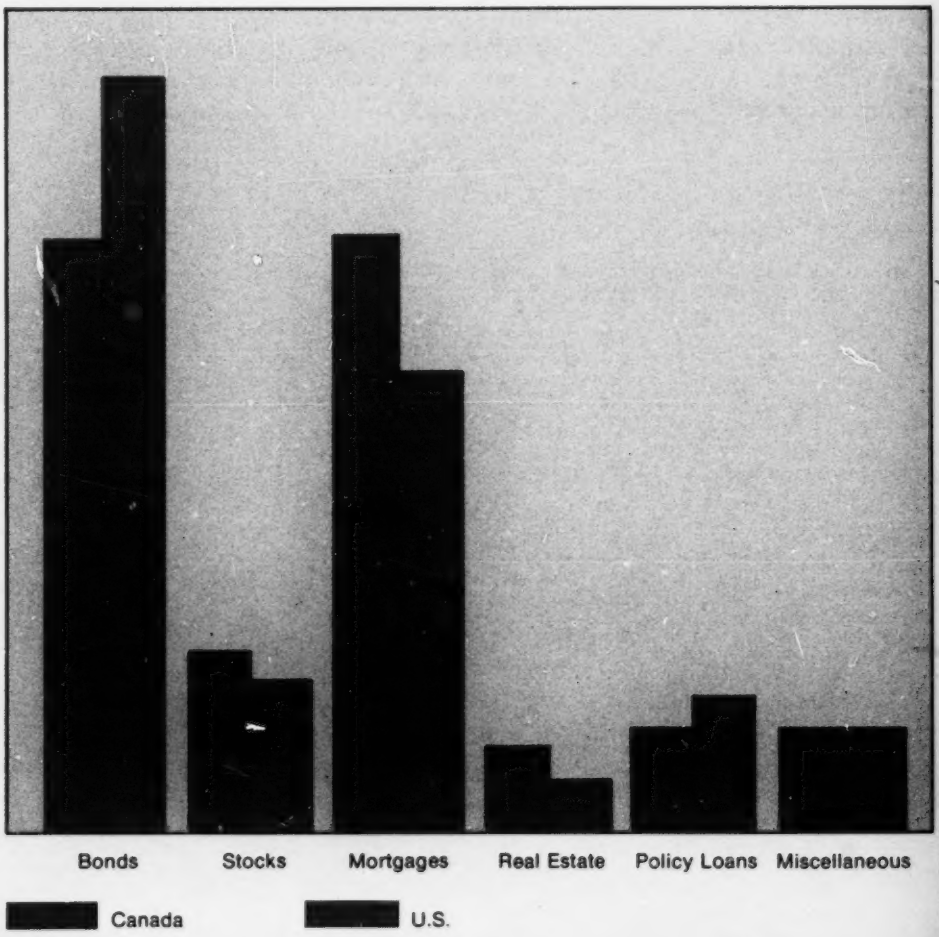
	1974	1975	1976	1977	1978	1979
Bonds	$ 7,637	$ 8,537	$ 9,657	$11,124	$12,852	$14,633
Stocks	2,426	2,806	3,322	3,414	4,141	4,384
Mortgages	8,444	9,058	9,937	11,215	12,626	14,398
Real Estate	1,328	1,457	1,559	1,675	1,830	2,035
Policy Loans	1,562	1,670	1,770	1,871	2,027	2,353
Miscellaneous Assets	901	982	1,111	1,320	1,727	2,341
Total	$22,298	$24,510	$27,356	$30,619	$35,203	$40,144

Note: Figures cover both Federally registered companies and provincial licensees. Assets do not include deferred premiums. These amounted to $304 million in 1979. The data for 1978 are revised and the data for 1979 are preliminary.

Source: Canadian Life Insurance Association.

Distribution of Assets, 1979

Canadian and U.S. Life Insurance Companies



STATE INSURANCE OFFICIALS

Alabama, Montgomery	Tharpe Forrester	Commissioner of Insurance
Alaska, Juneau	Kenneth C. Moore	Director of Insurance
Arizona, Phoenix	J. Michael Low	Director of Insurance
Arkansas, Little Rock	William H. L. Woodyard, III	Insurance Commissioner
California, Los Angeles	Wesley J. Kinder	Insurance Commissioner
Colorado, Denver	J. Richard Barnes	Commissioner of Insurance
Connecticut, Hartford	Joseph C. Mike	Insurance Commissioner
Delaware, Dover	David H. Elliot	Insurance Commissioner
D.C., Washington	James R. Montgomery, Acting	Superintendent of Insurance
Florida, Tallahassee	Bill Gunter	Insurance Commissioner
Georgia, Atlanta	Johnnie L. Caldwell	Insurance Commissioner
Hawaii, Honolulu	Tany S. Hong	Insurance Commissioner
Idaho, Boise	Monroe C. Gollaher	Director of Insurance
Illinois, Chicago	Philip R. O'Connor, Acting	Director of Insurance
Indiana, Indianapolis	H. Pete Hudson	Commissioner of Insurance
Iowa, Des Moines	Bruce Foudree	Commissioner of Insurance
Kansas, Topeka	Fletcher Bell	Commissioner of Insurance
Kentucky, Frankfort	Daniel D. Briscoe	Commissioner of Insurance
Louisiana, Baton Rouge	Sherman A. Bernard	Commissioner of Insurance
Maine, Augusta	Theodore T. Briggs	Superintendent of Insurance
Maryland, Baltimore	Edward J. Birrane, Jr.	Insurance Commissioner
Massachusetts, Boston	Michael J. Sabbagh	Commissioner of Insurance
Michigan, Lansing	E. C. Mackey, Acting	Commissioner of Insurance
Minnesota, St. Paul	Michael D. Markman	Commissioner of Insurance
Mississippi, Jackson	George Dale	Commissioner of Insurance
Missouri, Jefferson City	Richard J. Frederick	Director of Insurance
Montana, Helena	Elmer V. Omholt	Commissioner of Insurance
Nebraska, Lincoln	Walter D. Weaver	Director of Insurance
Nevada, Carson City	Donald W. Heath	Commissioner of Insurance
New Hampshire, Concord	Frank E. Whaland	Insurance Commissioner
New Jersey, Trenton	James J. Sheeran	Commissioner of Insurance
New Mexico, Santa Fe	Manuel A. Garcia, Jr.	Superintendent of Insurance
New York, New York	Albert B. Lewis	Superintendent of Insurance
North Carolina, Raleigh	John R. Ingram	Commissioner of Insurance
North Dakota, Bismarck	Byron Knutson	Commissioner of Insurance
Ohio, Columbus	Robert L. Ratchford, Jr.	Superintendent of Insurance
Oklahoma, Oklahoma City	Gerald Grimes	Insurance Commissioner
Oregon, Salem	Wilfred W. Fritz	Commissioner of Insurance
Pennsylvania, Harrisburg	James R. Farley, Acting	Commissioner of Insurance
Rhode Island, Providence	Thomas J. Caldarone, Jr.	Insurance Commissioner
South Carolina, Columbia	John W. Lindsay	Insurance Commissioner
South Dakota, Pierre	Henry J. Lussem, Jr.	Director of Insurance
Tennessee, Nashville	John C. Neff	Commissioner of Insurance
Texas, Austin	E.J. Voorhis	Commissioner of Insurance
Utah, Salt Lake City	Roger C. Day	Commissioner of Insurance
Vermont, Montpelier	George A. Chaffee	Commissioner of Insurance
Virginia, Richmond	James W. Newman	Commissioner of Insurance
Washington, Olympia	Dick Marquardt	Insurance Commissioner
West Virginia, Charleston	Richard S. Shaw	Insurance Commissioner
Wisconsin, Madison	Susan M. Mitchell	Commissioner of Insurance
Wyoming, Cheyenne	John T. Langdon	Insurance Commissioner

MORTALITY TABLES

	American Experience (1843-1858)		Commissioners 1958 Standard Ordinary (1950-1954)		Individual Annuity Table for 1971—Male (1960-1967)		Individual Annuity Table for 1971—Female (1960-1967)		United States Total Population (1969-1971)	
Age	Deaths Per 1,000	Expectation of Life (Years)	Deaths Per 1,000	Expectation of Life (Years)	Deaths Per 1,000	Expectation of Life (Years)	Deaths Per 1,000	Expectation of Life (Years)	Deaths Per 1,000	Expectation of Life (Years)
0	154.70	41.45	7.08	68.30	—	—	—	—	20.02	70.75
1	63.49	47.94	1.76	67.78	—	—	—	—	1.25	71.19
2	35.50	50.16	1.52	66.90	—	—	—	—	.86	70.28
3	23.91	50.98	1.46	66.00	—	—	—	—	.69	69.34
4	17.70	51.22	1.40	65.10	—	—	—	—	.57	68.39
5	13.60	51.13	1.35	64.19	.46	71.69	.23	76.99	.51	67.43
6	11.37	50.83	1.30	63.27	.42	70.73	.19	76.01	.46	66.46
7	9.75	50.41	1.26	62.35	.40	69.75	.16	75.02	.43	65.49
8	8.63	49.90	1.23	61.43	.39	68.78	.14	74.03	.39	64.52
9	7.90	49.33	1.21	60.51	.39	67.81	.13	73.04	.34	63.54
10	7.49	48.72	1.21	59.58	.39	66.84	.13	72.05	.31	62.57
11	7.52	48.08	1.23	58.65	.40	65.86	.14	71.06	.30	61.58
12	7.54	47.45	1.26	57.72	.41	64.89	.16	70.07	.35	60.60
13	7.57	46.80	1.32	56.80	.41	63.91	.17	69.08	.46	59.62
14	7.60	46.16	1.39	55.87	.42	62.94	.18	68.10	.63	58.65
15	7.63	45.50	1.46	54.95	.43	61.97	.19	67.11	.82	57.69
16	7.66	44.85	1.54	54.03	.44	60.99	.21	66.12	1.01	56.73
17	7.69	44.19	1.62	53.11	.46	60.02	.22	65.13	1.17	55.79
18	7.73	43.53	1.69	52.19	.47	59.05	.23	64.15	1.28	54.86
19	7.77	42.87	1.74	51.28	.49	58.07	.25	63.16	1.34	53.93
20	7.80	42.20	1.79	50.37	.50	57.10	.26	62.18	1.40	53.00
21	7.86	41.53	1.83	49.46	.52	56.13	.28	61.19	1.47	52.07
22	7.91	40.85	1.86	48.55	.54	55.16	.29	60.21	1.52	51.15
23	7.96	40.17	1.89	47.64	.57	54.19	.31	59.23	1.53	50.22
24	8.01	39.49	1.91	46.73	.59	53.22	.33	58.25	1.51	49.30
25	8.06	38.81	1.93	45.82	.62	52.25	.35	57.27	1.47	48.37
26	8.13	38.12	1.96	44.90	.65	51.28	.37	56.29	1.43	47.44
27	8.20	37.43	1.99	43.99	.68	50.32	.39	55.31	1.42	46.51
28	8.26	36.73	2.03	43.08	.72	49.35	.41	54.33	1.44	45.58
29	8.34	36.03	2.08	42.16	.76	48.39	.44	53.35	1.49	44.64
30	8.43	35.33	2.13	41.25	.81	47.42	.47	52.37	1.55	43.71
31	8.51	34.63	2.19	40.34	.86	46.46	.50	51.40	1.63	42.77
32	8.61	33.92	2.25	39.43	.92	45.50	.53	50.42	1.72	41.84
33	8.72	33.21	2.32	38.51	.98	44.54	.57	49.45	1.83	40.92
34	8.83	32.50	2.40	37.60	1.05	43.58	.61	48.48	1.95	39.99
35	8.95	31.78	2.51	36.69	1.12	42.63	.65	47.51	2.09	39.07
36	9.09	31.07	2.64	35.78	1.20	41.68	.70	46.54	2.25	38.15
37	9.23	30.35	2.80	34.88	1.30	40.73	.75	45.57	2.44	37.23
38	9.41	29.62	3.01	33.97	1.40	39.78	.81	44.60	2.66	36.32
39	9.59	28.90	3.25	33.07	1.51	38.83	.87	43.64	2.90	35.42
40	9.79	28.18	3.53	32.18	1.63	37.89	.94	42.68	3.14	34.52
41	10.01	27.45	3.84	31.29	1.79	36.95	1.01	41.72	3.41	33.63
42	10.25	26.72	4.17	30.41	2.00	36.02	1.09	40.76	3.70	32.74
43	10.52	26.00	4.53	29.54	2.26	35.09	1.19	39.80	4.04	31.86
44	10.83	25.27	4.92	28.67	2.57	34.17	1.29	38.85	4.43	30.99
45	11.16	24.54	5.35	27.81	2.92	33.25	1.40	37.90	4.84	30.12
46	11.56	23.81	5.83	26.95	3.32	32.35	1.52	36.95	5.28	29.27
47	12.00	23.08	6.36	26.11	3.75	31.46	1.65	36.01	5.74	28.42
48	12.51	22.36	6.95	25.27	4.23	30.57	1.80	35.06	6.24	27.58
49	13.11	21.63	7.60	24.45	4.74	29.70	1.97	34.13	6.78	26.75
50	13.78	20.91	8.32	23.63	5.29	28.84	2.15	33.19	7.38	25.93
51	14.54	20.20	9.11	22.82	5.86	27.99	2.37	32.26	8.04	25.12
52	15.39	19.49	9.96	22.03	6.46	27.15	2.64	31.34	8.76	24.32
53	16.33	18.79	10.89	21.25	7.09	26.33	2.97	30.42	9.57	23.53
54	17.40	18.09	11.90	20.47	7.74	25.51	3.35	29.51	10.43	22.75
55	18.57	17.40	13.00	19.71	8.42	24.71	3.79	28.61	11.36	21.99
56	19.89	16.72	14.21	18.97	9.12	23.91	4.28	27.71	12.36	21.23

Age	American Experience (1843-1858) Deaths Per 1,000	American Experience (1843-1858) Expectation of Life (Years)	Commissioners 1958 Standard Ordinary (1950-1954) Deaths Per 1,000	Commissioners 1958 Standard Ordinary (1950-1954) Expectation of Life (Years)	Individual Annuity Table for 1971—Male (1960-1967) Deaths Per 1,000	Individual Annuity Table for 1971—Male (1960-1967) Expectation of Life (Years)	Individual Annuity Table for 1971—Female (1960-1967) Deaths Per 1,000	Individual Annuity Table for 1971—Female (1960-1967) Expectation of Life (Years)	United States Total Population (1969-1971) Deaths Per 1,000	United States Total Population (1969-1971) Expectation of Life (Years)
57	21.34	16.05	15.54	18.23	9.85	23.13	4.83	26.83	13.41	20.49
58	22.94	15.39	17.00	17.51	10.61	22.35	5.41	25.96	14.52	19.76
59	24.72	14.74	18.59	16.81	11.41	21.59	6.02	25.10	15.70	19.05
60	26.69	14.10	20.34	16.12	12.25	20.83	6.63	24.25	16.95	18.34
61	28.88	13.47	22.24	15.44	13.13	20.08	7.22	23.41	18.29	17.65
62	31.29	12.86	24.31	14.78	14.07	19.34	7.77	22.57	19.74	16.97
63	33.94	12.26	26.57	14.14	15.08	18.61	8.29	21.74	21.33	16.30
64	36.87	11.67	29.04	13.51	16.19	17.89	8.78	20.92	23.06	15.65
65	40.13	11.10	31.75	12.90	17.41	17.17	9.29	20.10	24.95	15.00
66	43.71	10.54	34.74	12.31	18.77	16.47	9.89	19.29	26.99	14.38
67	47.65	10.00	38.04	11.73	20.29	15.77	10.62	18.47	29.18	13.76
68	52.00	9.47	41.68	11.17	21.99	15.09	11.54	17.67	31.52	13.16
69	56.76	8.97	45.61	10.64	23.89	14.42	12.66	16.87	34.00	12.57
70	61.99	8.48	49.79	10.12	26.00	13.76	14.03	16.08	36.61	12.00
71	67.67	8.00	54.15	9.63	28.34	13.11	15.65	15.30	39.43	11.43
72	73.73	7.55	58.65	9.15	30.93	12.48	17.55	14.53	42.66	10.88
73	80.18	7.11	63.26	8.69	33.80	11.86	19.74	13.79	46.44	10.34
74	87.03	6.68	68.12	8.24	36.98	11.26	22.26	13.05	50.75	9.82
75	94.37	6.27	73.37	7.81	40.49	10.67	25.12	12.34	55.52	9.32
76	102.31	5.88	79.18	7.39	44.39	10.10	28.37	11.64	60.60	8.84
77	111.06	5.49	85.70	6.98	48.72	9.55	32.05	10.97	65.96	8.38
78	120.83	5.11	93.06	6.59	53.50	9.01	36.23	10.32	71.53	7.93
79	131.73	4.74	101.19	6.21	58.79	8.50	40.98	9.68	77.41	7.51
80	144.47	4.39	109.98	5.85	64.60	7.99	46.39	9.08	83.94	7.10
81	158.60	4.05	119.35	5.51	70.90	7.51	52.51	8.49	91.22	6.70
82	174.30	3.71	129.17	5.19	77.67	7.05	59.41	7.94	98.92	6.32
83	191.56	3.39	139.38	4.89	84.94	6.60	67.16	7.41	106.95	5.96
84	211.36	3.08	150.01	4.60	92.87	6.16	75.90	6.90	115.48	5.62
85	235.55	2.77	161.14	4.32	101.69	5.74	85.77	6.43	125.61	5.28
86	265.68	2.47	172.82	4.06	111.65	5.34	96.90	5.99	137.48	4.97
87	303.02	2.18	185.13	3.80	123.05	4.95	109.34	5.57	149.79	4.68
88	346.69	1.91	198.25	3.55	136.12	4.57	122.98	5.20	161.58	4.42
89	395.86	1.66	212.46	3.31	151.07	4.21	137.51	4.86	172.92	4.18
90	454.55	1.42	228.14	3.06	168.04	3.87	152.47	4.55	185.02	3.94
91	532.47	1.19	245.77	2.82	187.15	3.55	167.37	4.28	198.88	3.73
92	634.26	.98	265.93	2.58	208.46	3.26	181.78	4.04	213.63	3.53
93	734.18	.80	289.30	2.33	231.89	2.98	195.39	3.83	228.70	3.35
94	857.14	.64	316.66	2.07	257.15	2.73	208.07	3.63	243.36	3.19
95	1,000.00	.50	351.24	1.80	283.84	2.50	219.90	3.46	257.45	3.06
96			400.56	1.51	311.57	2.30	231.10	3.29	269.59	2.95
97			488.42	1.18	340.21	2.11	242.21	3.13	280.24	2.85
98			668.15	.83	369.77	1.94	253.82	2.97	289.77	2.76
99			1,000.00	.50	400.19	1.79	266.45	2.81	298.69	2.69
100					431.41	1.65	280.54	2.65	306.96	2.62
101					463.31	1.53	296.45	2.49	314.61	2.56
102					495.76	1.41	314.54	2.33	321.67	2.51
103					528.60	1.31	335.12	2.17	328.17	2.46
104					561.69	1.21	358.54	2.01	334.14	2.41
105					594.88	1.13	385.12	1.85	339.60	2.37
106					628.02	1.05	415.24	1.70	344.60	2.34
107					660.95	.98	449.27	1.55	349.17	2.30
108					693.50	.92	487.65	1.41	353.33	2.27
109					725.52	.86	530.79	1.27	357.12	2.24

Note: Mortality rates contained in the 1958 Commissioners Standard Ordinary Table were obtained from experience of 1950-1954, but contain an added element designed to generate life insurance reserves of a conservative nature in keeping with the long-term guarantees inherent in life insurance contracts. Premiums for life insurance policies, on the other hand, are based on assumptions that include expected mortality experience.

Mortality rates for the 1971 Annuity Tables are, again, conservative as related to the actual experience upon which they are based.

HISTORIC DATES

1759 The first life insurance company in the United States, "The Corporation for Relief of Poor and Distressed Presbyterian Ministers and of the Poor and Distressed Widows and Children of Presbyterian Ministers," was established in Philadelphia by the Synod of the Presbyterian Church. This company, now Presbyterian Ministers' Fund, is the oldest life insurance company in continued existence in the world.

1789 Professor Edward Wigglesworth of Harvard prepared a modified table of mortality based on Massachusetts experience, the first computation of premiums and reserves on a scientific basis in the U.S.

1794 The Insurance Company of North America was chartered as the first general insurance company to sell life insurance in America. In five years only six policies were issued and the company discontinued its life insurance business in 1804.

1807 Israel Whelen of Philadelphia was appointed agent for the Pelican Life Insurance Company of London.

1812 Pennsylvania Company for Insurance on Lives and Granting Annuities was incorporated, the first corporation organized in America for the sole purpose of issuing life insurance policies and annuities. The first policy was issued in 1813. It discontinued issuing life policies in 1872.

1830 New York Life Insurance and Trust Company was started; notable as the first American life company to employ agents. This company later discontinued its life insurance business and was subsequently merged with the Bank of New York.

1835 A charter was granted New England Mutual Life Insurance Company of Boston, the first mutual company to be chartered in America. It did not actually begin business until December, 1843.

1836 The Girard Life Insurance, Annuity and Trust Company of Philadelphia was established upon a new principle of granting policyholders participation in profits, although it was a stock company. The first dividends were allotted in 1844 as additions of insurance to policies in force three or more years. This company later became a trust company only.

1840 The legislature of New York State enacted a law that provided that the proceeds of a policy made out to a widow as beneficiary would be paid to her and were exempt from claims of creditors. This strengthened immeasurably the protective power of a life insurance policy.

1842 The Mutual Life Insurance Company of New York was chartered. The first policy was issued February 1, 1843, marking the beginning of mutual life insurance as it is known today.

1848 First policy loans were granted about this time.

1849 New York State passed the first general insurance law.

1851 New Hampshire established the first regulatory body to examine the affairs of insurance companies.

1853 Policy valuation tables, which had been worked on by Elizur Wright for nine years, were published.

1859 New York State established the first insurance department.

1861 Massachusetts was the first state to require nonforfeiture values as part of life policies.

1861 First war risk insurance written by life companies during Civil War.

1864 The Manhattan Life Insurance Company was the first American company to write an incontestable clause into a policy.

1868 American Experience Table of Mortality published as a part of New York law. Covering experience from 1843 to 1858, it remained the table most widely used by American companies until the 1940s.

1869 U.S. Supreme Court held insurance not to be a transaction in commerce, and affirmed the validity of state regulation of insurance.

1869 Earliest organization of life insurance agents was recorded in Chicago.

1871 First convention of State Insurance Commissioners was held in New York City.

1873 First weekly premium policy was issued in the United States.

1875 Industrial insurance agency system was introduced in the United States.

1880 Cash surrender values were first established by law in Massachusetts.

1905 Armstrong investigation of life insurance was made by New York State Legislature, which resulted in many changes in insurance laws.

1909 Standard provisions for life insurance policies were adopted in New York State.

1911 First group life insurance for employees was introduced.

1917 Life insurance for servicemen of World War I was offered by the government under War Risk Insurance Act; such insurance is now known as U.S. Government Life Insurance.

1918 American Men Ultimate Mortality Table was published, which covered experience from 1900 to 1915.

1928 First examinations were held for Chartered Life Underwriters, which resulted in awards of CLU designations to qualified life insurance personnel.

1935 Social Security Act was enacted. It was subsequently amended at various times to include benefits for survivors and dependents and for disabled workers and their dependents, to extend coverage as to employments covered, to lower minimum retirement age, to raise benefit levels, to revise contribution schedules, to increase earnings base, and, in 1965, to establish Medicare, a broad program of health insurance for people aged 65 or older.

1938 The 1937 Standard Annuity Mortality Table was published. It was based primarily on experience from 1932 to 1936.

1939 Temporary National Economic Committee began an investigation of the life insurance business.

1940 National Service Life Insurance Act, providing insurance for men and women in service in World War II, was adopted by Congress.

1941 Commissioners 1941 Standard Ordinary Table of Mortality, based on experience from 1930 to 1940, was published.

1944 U.S. Supreme Court held insurance to be commerce, and that when conducted across state lines, it is interstate commerce and therefore subject to Federal laws.

1945 McCarran-Ferguson Act declared that the regulation of insurance by the states is in the public interest and granted an exemption from the antitrust laws to the extent the business is regulated by state law.

1948 Legislation permitting "Standard Nonforfeiture and Valuation" methods of computation was effected in nearly all states.

1952 College Retirement Equities Fund (CREF) was established as the first variable annuity fund. In 1954, the Participating Annuity Life Insurance Company offered the first variable annuity contracts to the general public.

1954 Federal Employees' Group Life Insurance Act providing group life insurance and accidental death and dismemberment insurance to civilian officers and employees of the United States government through private insurance companies was introduced.

1958 Commissioners 1958 Standard Ordinary Table of Mortality, based on experience from 1950 to 1954, was published.

1959 Arkansas was the first state to pass laws permitting life insurance companies to issue variable annuities and authorizing the establishment of separate accounts.

1965 Servicemen's Group Life Insurance Act was introduced providing members on active duty in the uniformed services with group life insurance underwritten by private insurers through a contract with the Veterans Administration.

1974 Employee Retirement Income Security Act of 1974 was signed into law. The primary purposes were to protect the benefits of participants in private plans, to assure reasonable vesting provisions, and to broaden the opportunity to set up plans for the self-employed and workers who have no private retirement plans.

1976 First individual variable life insurance policy was issued in the United States.

1977 Social Security Act was amended to increase wage base and tax rates in steps beginning in 1978 and to revise the benefit structure.

LIFE INSURANCE ORGANIZATIONS

COMPANY ASSOCIATION

AMERICAN COUNCIL OF LIFE INSURANCE: 1850 K Street, N.W., Washington, D.C. 20006; Telephone: 202-862-4000; Chairman of the Board, John H. Filer; President, Blake T. Newton, Jr.; President-Elect, Robert Froehlke. Represents the life insurance business in legislative and regulatory areas at the Federal, state and local levels of government. Provides the public with information about the purpose and uses of life insurance, maintains research facilities to record the performance of the business and measures attitudes of the public on issues relevant to the business.

CONSUMER CREDIT INSURANCE ASSOCIATION: 307 North Michigan Avenue, Chicago, Illinois 60601; Telephone: 312-726-9895; Chairman of the Board, James F. Blazek; President, John W. Kennedy; Executive Vice President, William F. Burfeind. Serves as the official trade organization for insurers that underwrite consumer credit insurance in the areas of life, accident and health, and property insurance.

LIFE INSURANCE MARKETING AND RESEARCH ASSOCIATION: P.O. Box 208, Hartford, Connecticut 06141; Telephone: 203-677-0033. Chairman of the Board, William P. Gregg; President, George G. Joseph, CLU. Works to improve the efficiency of life insurance distribution through scientific management methods, conducts research, provides management educational services and prepares a wide range of publications.

LIFE INSURERS CONFERENCE: 1004 North Thompson Street, Richmond Virginia 23230; Telephone: 804-359-5006; Chairman, W. N. Culp, Jr.; President, G. Mason Connell, Jr. Comprised of life insurance companies engaged to a large extent in the sale of home service life insurance.

LIFE OFFICE MANAGEMENT ASSOCIATION: 100 Colony Square, Atlanta, Georgia 30361; Telephone: 404-892-7272; Chairman of the Board, Ivan J. Houston, FLMI, CLU; President, Lynn G. Merritt. Engages in cooperative educational and research activities directed to the improvement of management operations in home and field offices. Conducts the widely-used FLMI (Fellow, Life Management Institute) Insurance Education Program.

NATIONAL ASSOCIATION OF LIFE COMPANIES: 3340 Peachtree Road, N.E., Suite 1060, Atlanta, Georgia 30326; Telephone: 404-262-3737; Chairman of the Board, Harry Lee Waterfield; Executive Vice President, S. Roy Woodall, Jr. Consists primarily of stock life and health insurance companies which have been organized in recent years.

NATIONAL INSURANCE ASSOCIATION: 2400 South Michigan Avenue, Chicago, Illinois 60616; Telephone: 312-842-5125; President, Norris L. Connally; Executive Director, Charles A. Davis. Represents companies which principally serve the life insurance needs of black families.

PROFESSIONAL ASSOCIATIONS

AMERICAN ACADEMY OF ACTUARIES: 1835 K Street, N.W., Washington, D.C. 20006; and 208 South LaSalle Street, Chicago, Illinois 60604; Telephone: 202-223-8196, Washington, D.C.; 312-782-4204, Chicago. President, Ronald L. Bornhuetter; Secretary, Charles B.H. Watson; Executive Director, Stephen G. Kellison. An organization of qualified actuaries that deals with issues surrounding the legal recognition and the public role of actuaries throughout the United States. Membership consists largely of members of the Casualty Actuarial Society, Conference of Actuaries in Public Practice, Fraternal Actuarial Association, Society of Actuaries and enrolled actuaries under ERISA. Membership criteria include satisfaction of experience and education standards.

AMERICAN RISK AND INSURANCE ASSOCIATION: Room 297, Brooks Hall, The University of Georgia, Athens, Georgia 30602; Telephone: 404-542-4290; President, Dr. Charles P. Hall, Jr., Temple University; Executive Director, Dr. Richard E. Johnson. A society of insurance educators and others interested in risk and insurance education and research.

AMERICAN SOCIETY OF CHARTERED LIFE UNDERWRITERS: 270 Bryn Mawr Avenue, Bryn Mawr, Pennsylvania 19010; Telephone: 215-896-4300; President, Jarrett L. Davis; Executive Vice President and Managing Director, John R. Driskill. An organization of individuals who hold the Chartered Life Underwriter (CLU) designation and belong to local chapters. Conducts seminars and institutes on such subjects as law, taxation, estate planning and business life insurance.

AMERICAN SOCIETY OF PENSION ACTUARIES: 1700 K Street, N.W., Washington, D.C. 20006; Telephone: 202-785-4366; President, Brendan O'Farrell, Jr.; Executive Director, Chester J. Salkind. A professional society dedicated to the advancement of the profession of the pension actuary and consultant. Offers a comprehensive examination program for actuaries and consultants and represents the interests of its members before appropriate forums.

THE ASSOCIATION OF LIFE INSURANCE COUNSEL: 51 Madison Ave., New York, New York 10010; Telephone: 212-679-1110; President, Ira L. Burleson; President-Elect, Marion J. Davis; Secretary-Treasurer, Paul E. Klein, New York Life Insurance Company. An organization of life insurance counsels. Seeks to increase knowledge of areas of law affecting life insurance companies.
insurance counsels. Seeks to increase knowledge of areas of law affecting life insurance companies.

ASSOCIATION OF LIFE INSURANCE MEDICAL DIRECTORS OF AMERICA: P.O. Box 7378, Philadelphia, Pennsylvania 19101; Telephone: 215-472-5000. President, Paul S. Entmacher, M.D.; Secretary, Frank T. Mansure, M.D. Medical directors of life insurance companies. Encourages the advancement of the science of medicine as applied to insurance.

CONFERENCE OF ACTUARIES IN PUBLIC PRACTICE: 208 South LaSalle Street, Chicago, Illinois 60604; Telephone: 312-782-8683; President, David M. Reade; Secretary, Edward H. Friend. Membership composed of consulting actuaries and government actuaries.

HOME OFFICE LIFE UNDERWRITERS ASSOCIATION: President, Frank E. Rooke; Secretary, Wallace Harper, Mutual Life Insurance Company of New York, 1740 Broadway, New York, New York 10019; Telephone: 212-586-4000. An organization of home office underwriters of legal reserve life insurance companies. Offers an education program through the Academy of Life Underwriting designed specifically for professional home office life underwriters.

INSTITUTE OF HOME OFFICE UNDERWRITERS: President, Jack D. Gwaltney; Secretary-Treasurer, John B. Ensor, Monumental Life Insurance Company, Two East Chase St., Baltimore, Maryland 21202; Telephone: 301-685-2900. An organization of home office underwriters. Aims to increase the knowledge of underwriting principles through discussions, surveys and presentation of papers, and through the education program of the Academy of Life Underwriting.

INSURANCE ACCOUNTING AND STATISTICAL ASSOCIATION: Mutual Plaza, Durham, North Carolina 27701; Telephone: 919-683-2356; President, Paul E. Heacock; Secretary-Treasurer, Walter R. Mason. An international organization to promote the study, research and development of modern techniques in insurance accounting and statistics.

INTERNATIONAL CLAIM ASSOCIATION: President, Donald F. Carter; Secretary, William F. Meyer, Western and Southern Life Insurance Company, 400 Broadway, Cincinnati, Ohio 45202; Telephone: 513-421-1800. Comprised of executives and administrators who handle the claims function for companies writing life, health or accident insurance.

LIFE INSURANCE ADVERTISERS ASSOCIATION: 1040 Woodcock Road, Orlando, Florida 32803; Telephone: 305-894-0921; President, J. Robert Nolley, Jr.; Secretary, Peter A. Bogren. An organization of persons interested in life insurance advertising, sales promotion, public and policyholder relations and company communications. Conducts workshops, distributes case histories describing specific activities of member companies and makes awards for outstanding materials.

THE LIFE UNDERWRITER TRAINING COUNCIL: 1922 F Street, N.W., Washington, D.C. 20006; Telephone: 202-393-5240; Chairman of the Board, John B. Carter, CLU; President, Loran E. Powell, CLU. An organization which provides sales training in life and health insurance at intermediate levels. Members are agents taking part in sales training courses sponsored by local life underwriter associations.

MILLION DOLLAR ROUND TABLE: 2340 River Road, Des Plaines, Illinois 60018; Telephone: 312-298-1120; President, Clune J. Walsh, Jr., CLU; Executive Vice President, Roderick L. Geer. Composed of life insurance agents who consistently sell at least $1½ million face amount of life insurance annually and maintain membership in the National Association of Life Underwriters.

NATIONAL ASSOCIATION OF LIFE UNDERWRITERS: 1922 F Street, N.W., Washington, D.C. 20006; Telephone: 202-331-6000; President, Thomas J. Wolff, CLU; Executive Vice President, Jack E. Bobo, CLU. An organization working through local groups of agents, which sponsors sales congresses and seminars, promotes high ethical standards, participates in community service projects and supports legislation in the interest of the insuring public and the agency system.

SOCIETY OF ACTUARIES: 208 South LaSalle Street, Chicago, Illinois 60604; Telephone: 312-236-3833; President, Julius Vogel; Executive Director, John E. O'Connor, Jr. Organization of individuals trained in the application of mathematical probabilities to the design of insurance and pension programs. Sponsors examinations leading to designation of Fellow or Associate in Society.

OTHER ORGANIZATIONS

THE AMERICAN COLLEGE: 270 Bryn Mawr Avenue, Bryn Mawr, Pennsylvania 19010; Telephone: 215-896-4500; Chairman of the Board, Dr. John T. Fey; President, Dr. Davis W. Gregg, CLU. Provides an educational program through the S.S. Huebner School of CLU. Studies leading to the award of the CLU (Chartered Life Underwriter) diploma and professional designation, fosters continued educational growth through its School of Advanced Career Studies, and grants the degree of Master of Science in Financial Services through the Graduate School of Financial Sciences. Accredited by the Middle States Association of Colleges and Schools.

S.S. HUEBNER FOUNDATION FOR INSURANCE EDUCATION: W-145 Dietrich Hall/CC, University of Pennsylvania, Philadelphia, Pennsylvania 19104; Telephone: 215-243-7621; Chairman of the Board of Trustees, Frank K. Tarbox; Chairman of the Administrative Board and Executive Director, Dr. Dan M. McGill. Makes fellowship grants for doctoral study and publishes research studies in the field of insurance.

MEDICAL INFORMATION BUREAU: P.O. Box 801, Boston, Massachusetts 02103; Telephone: 617-282-1500; Chairman of the Board, John O. Alden, M.D.; President, Neil M. Day. A nonprofit association of more than 700 member life insurance companies founded by medical directors providing a central information exchange. With the applicant's written consent, statements about health or risk activities can be checked with the Medical Information Bureau to alert insurers to inaccuracies, omissions and willful attempts at fraud.

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS: 633 West Wisconsin Avenue, Suite 1015, Milwaukee, Wisconsin 53203; Telephone: 414-271-4464; President, Honorable Wesley J. Kinder; Executive Secretary, Jon S. Hanson. An organization of state officials supervising insurance, which promotes uniformity of legislation and regulation affecting insurance.

NATIONAL FRATERNAL CONGRESS OF AMERICA: 230 West Monroe Street, Chicago, Illinois 60606; Telephone: 312-782-3446; President, Geraldine Towner; Executive Vice President, Raymond A. Klee; Secretary-Treasurer, Jonni L. Dempsey. A federation of fraternal benefit societies writing life, accident and health insurance.

GLOSSARY

A

Accidental death benefit. *A benefit in addition to the face amount of a life insurance policy, payable if the insured dies as the result of an accident. Sometimes referred to as "double indemnity."*

Actuary. *A person professionally trained in the technical aspects of insurance and related fields, particularly in the mathematics of insurance—such as the calculation of premiums, reserves and other values.*

Adjustable life insurance. *A type of insurance that allows the insured to switch the type of protection, raise or lower the face amount of the policy, increase or decrease the premium and lengthen or shorten the protection period.*

Agent. *A sales and service representative of an insurance company. Life insurance agents may also be called life underwriters.*

Annuitant. *The person during whose life an annuity is payable, usually the person to receive the annuity.*

Annuity. *A contract that provides a periodic income at regular intervals for a specified period of time, such as number of years or for life.*

Annuity certain. *A contract that provides an income for a specified number of years, regardless of life or death.*

Annuity consideration. *The payment, or one of the regular periodic payments, an annuitant makes for an annuity.*

Application. *A statement of information made by a person applying for life insurance. It helps the life insurance company assess the acceptability of risk.*

Assignment. *The legal transfer of one person's interest in an insurance policy to another person.*

B

Beneficiary. *The person named in the policy to receive the insurance proceeds at the death of the insured.*

Broker. *A sales and service representative who handles insurance for his clients, generally selling insurance of various kinds and for several companies.*

Business life insurance. *Life insurance purchased by a business enterprise on the life of a member of the firm. It is often bought by partnerships to protect the surviving partners against loss caused by the death of a partner, or by a corporation to reimburse it for loss caused by the death of a key employee.*

C

Cash surrender value. *The amount available in cash upon voluntary termination of a policy by its owner before it becomes payable by death or maturity.*

Certificate. *A statement issued to individuals insured under a group policy, setting forth the essential provisions relating to their coverage.*

Claim. *Notification to an insurance company that payment of an amount is due under the terms of a policy.*

Convertible term insurance. *Term insurance which can be exchanged, at the option of the policyholder and without evidence of insurability, for another plan of insurance.*

Credit life insurance. *Term life insurance issued through a lender or lending agency to cover payment of a loan, installment purchase, or other obligation, in case of death.*

D

Declination. *The rejection by a life insurance company of an application for life insurance, usually for reasons of the health or occupation of the applicant.*

Deferred annuity. *An annuity providing for the income payments to begin at some future date.*

Deferred group annuity. *A type of group annuity providing for the purchase each year of a paid-up deferred annuity for each member of the group, the total amount received by the member at retirement being the sum of these deferred annuities.*

Deposit administration group annuity. *A type of group annuity providing for the accumulation of contributions in an undivided fund out of which annuities are purchased as the individual members of the group retire.*

Disability benefit. *A feature added to some life insurance policies providing for waiver of premium, and sometimes payment of monthly income, if the policyholder becomes totally and permanently disabled.*

Dividend. *A return of part of the premium on participating insurance to reflect the difference between the premium charged and the combination of actual mortality, expense and investment experience. Such premiums are calculated to provide some margin over the anticipted cost of the insurance protection.*

Dividend addition. *An amount of paid-up insurance purchased with a policy dividend and added to the face amount of the policy.*

E

Endowment. *Life insurance payable to the policyholder if he is living, on the maturity date stated in the policy, or to a beneficiary if the policyholder dies prior to that date.*

Expectation of life. *The average number of years of life remaining for persons of a given age according to a particular mortality table.*

Extended term insurance. *A form of insurance available as a nonforfeiture option. It provides the original amount of insurance for a limited period of time.*

F

Face amount. *The amount stated on the face of the policy that will be paid in case of death or at the maturity of the policy. It does not include additional amounts payable under accidental death or other special provisions, or acquired through the application of policy dividends.*

Family income policy. *A life insurance policy, combining whole life and decreasing term insurance, under which the beneficiary receives income payments to the end of a specified period if the insured dies prior to the end of the period, and the face amount of the policy either at the end of the period if the insured dies prior to the end of the period, under the term rider portion of the contract and the face amount of the policy either at the end of the period or at the death of the insured.*

Family policy. *A life insurance policy providing insurance on all or several family members in one contract, generally whole life insurance on the husband and smaller amounts of term insurance on the wife and children, including those born after the policy is issued.*

Fraternal life insurance. *Life insurance provided by fraternal orders or societies to their members.*

G

Geographic divisions (in the United States)

NORTHEAST
- *New England: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont*
- *Middle Atlantic: New Jersey, New York, Pennsylvania*

NORTH CENTRAL
- *East North Central: Illinois, Indiana, Michigan, Ohio, Wisconsin*
- *West North Central: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota*

SOUTH
- *South Atlantic: Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia*
- *East South Central: Alabama, Kentucky, Mississippi, Tennessee*
- *West South Central: Arkansas, Louisiana, Oklahoma, Texas*

WEST
- *Mountain: Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming*
- *Pacific: Alaska, California, Hawaii, Oregon, Washington.*

Grace period. *A period (usually 30 or 31 days) following the premium due date, during which an overdue premium may be paid without penalty. The policy remains in force throughout this period.*

Group annuity. *A pension plan providing annuities at retirement to a group of people under a master contract. It is usually issued to an employer for the benefit of employees. The individual members of the group hold certificates as evidence of their annuities.*

Group life insurance. *Life insurance usually without medical examination, on a group of people under a master policy. It is typically issued to an employer for the benefit of employees. The individual members of the group hold certificates as evidence of their insurance.*

I

Individual policy pension trust. *A type of pension plan, frequently used for small groups, administered by trustees who are authorized to purchase individual level premium policies or annuity contracts for each member of the plan. The policies usually provide both life insurance and retirement benefits.*

Industrial life insurance. *Life insurance issued in small amounts, usually less than $1,000, with premiums payable on a weekly or monthly basis. The premiums are generally collected at the home by an agent of the company.*

Insurability. *Acceptability to the company of an applicant for insurance.*

Insurance examiner. *The representative of a state insurance department assigned to participate in the official audit and examination of the affairs of an insurance company.*

Insured life. *The person on whose life the policy is issued.*

L

Lapsed policy. *A policy terminated for nonpayment of premiums. The term is sometimes limited to a termination occurring before the policy has a cash or other surrender value.*

Legal reserve life insurance company. *A life insurance company operating under state insurance laws specifying the minimum basis for the reserves the company must maintain on its policies.*

Level premium life insurance. *Life insurance for which the premium remains the same from year to year. The premium is more than the actual cost of protection during the earlier years of the policy and less than the actual cost in the later years. The building of a reserve is a natural result of level premiums. The overpayments in the early years, together with the interest that is to be earned, serve to balance out the underpayments of the later years.*

Life annuity. *A contract that provides an income for life.*

Life expectancy. *The average number of years of life remaining for persons of a given age according to a particular mortality table.*

Life insurance in force. *The sum of the face amounts, plus dividend additions, of life insurance policies outstanding at a given time. Additional amounts payable under accidental death or other special provisions are not included.*

Limited payment life insurance. *Whole life insurance on which premiums are payable for a specified number of years or until death if death occurs before the end of the specified period.*

M

Master policy. *A policy that is issued to an employer or trustee, establishing a group insurance plan for designated members of an eligible group.*

Mortality table. *A statistical table showing the death rate at each age, usually expressed as so many per thousand.*

Mutual life insurance company. *A life insurance company without stockholders whose management is directed by a board elected by the policyholders. Mutual companies, in general, issue participating insurance.*

N

Nonforfeiture option. *One of the choices available to the policyholder if he discontinues premium payments on a policy with a cash value. This, if any, may be taken in cash, as extended term insurance or as reduced paid-up insurance.*

Nonparticipating policy. *A life insurance policy in which the company does not distribute to policyholders any part of its surplus. Note should be taken that premiums for nonparticipating policies are usually lower than for comparable participating policies. Note should also be taken that some nonparticipating policies have both a maximum premium and a current lower premium. The current premium reflects anticipated experience that is more favorable than the company is willing to guarantee, and it may be changed from time to time for the entire block of business to which the policy belongs. (See also:* Participating policy*)*

O

Ordinary life insurance. *Life insurance usually issued in amounts of $1,000 or more with premiums payable on an annual, semiannual, quarterly or monthly basis.*

P

Paid-up insurance. *Insurance on which all required premiums have been paid. The term is frequently used to mean the reduced paid-up insurance available as a nonforfeiture option.*

Participating policy. *A life insurance policy under which the company agrees to distribute to policyholders the part of its surplus which its Board of Directors determines is not needed at the end of the business year. Such a distribution serves to reduce the premium the policyholder had paid. (See also:* Policy dividend; Nonparticipating policy*)*

Permanent life insurance. *A phrase used to cover any form of life insurance except term; generally insurance that accrues cash value, such as whole life or endowment.*

Policy. *The printed legal document stating the terms of the insurance contract that is issued to the policyholder by the company.*

Policy dividend. *A refund of part of the premium on a participating life insurance policy reflecting the difference between the premium charged and actual experience.*

Policy loan. *A loan made by a life insurance company from its general funds to a policyholder on the security of the cash value of his policy.*

Policy reserves. *The measure of the funds that a life insurance company holds specifically for fulfillment of its policy obligations. Reserves are required by law to be so calculated that, together with future premium payments and anticipated interest earnings, they will enable the company to pay all future claims.*

Premium. *The payment, or one of the periodical payments, a policyholder agrees to make for an insurance policy.*

Premium loan. *A policy loan made for the purpose of paying premiums.*

R

Rated policy. *Sometimes called an "extra-risk" policy, an insurance policy issued at a higher-than-standard premium rate to cover the extra risk where, for example, a policyholder has impaired health or a hazardous occupation.*

Reduced paid-up insurance. *A form of insurance available as a nonforfeiture option. It provides for continuation of the original insurance plan, but for a reduced amount.*

Renewable term insurance. *Term insurance which can be renewed at the end of the term, at the option of the policyholder and without evidence of insurability, for a limited number of successive terms. The rates increase at each renewal as the age of the insured increases.*

Reserve. *The amount required to be carried as a liability in the financial statement of an insurer, to provide for future commitments under policies outstanding.*

Rider. *A special policy provision or group of provisions that may be added to a policy to expand or limit the benefits otherwise payable.*

S

Separate account. *An asset account established by a life insurance company separate from other funds, used primarily for pension plans and variable life products. This arrangement permits wider latitude in the choice of investments, particularly in equities.*

Settlement options. *The several ways, other than immediate payment in cash, which a policyholder or beneficiary may choose to have policy benefits paid. See also* Supplementary contracts.

Stock life insurance company. *A life insurance company owned by stockholders who elect a board to direct the company's management. Stock companies, in general, issue nonparticipating insurance, but may also issue participating insurance.*

Straight life insurance. *Whole life insurance on which premiums are payable for life.*

Supplementary contract. *An agreement between a life insurance company and a policyholder or beneficiary by which the company retains the cash sum payable under an insurance policy and makes payments in accordance with the settlement option chosen.*

T

Term insurance. *Life insurance payable to a beneficiary only when a policyholder dies within a specified period.*

U

Underwriting. *The process by which a life insurance company determines whether or not it can accept an application for life insurance, and if so, on what basis.*

V

Variable annuity. *An annuity contract in which the amount of each periodic income payment fluctuates. The fluctuation may be related to security market values, a cost of living index, or some other variable factor.*

Variable life insurance. *Life insurance under which the benefits relate to the value of assets behind the contract at the time the benefit is paid. In the United States, the amount of death benefit payable would, under variable life policies that have been proposed, never be less than the initial death benefit payable under the policy.*

Variable premium life insurance. *A whole life type of protection with premiums geared to the insuring company's rate of return on investments.*

W

Waiver of premium. *A provision that under certain conditions an insurance policy will be kept in full force by the company without further payment of premiums. It is used most often in the event of total and permanent disability.*

Whole life insurance. *Life insurance payable to a beneficiary at the death of the policyholder whenever that occurs. Premiums may be payable for a specified number of years (limited payment life) or for life (straight life).*

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